

REVIEWING ALTERNATIVES TO AMTRAK'S ANNUAL LOSSES IN FOOD AND BEVERAGE SERVICE

HEARING

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
OF THE
COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES
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REVIEWING ALTERNATIVES TO AMTRAK'S ANNUAL LOSSES IN FOOD AND BEVERAGE SERVICE

Thursday, November 14, 2013,

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT OPERATIONS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:38 a.m. in room 2247, Rayburn House Office Building, the Honorable John L. Mica [chairman of the subcommittee], presiding.

Present: Representatives Mica, Meadows, Cummings, and Connolly.

Staff Present: Will L. Boyington, Majority Press Assistant; Molly Boyl, Majority Senior Counsel and Parliamentarian; Drew Colliatie, Majority Professional Staff Member; John Cuaderes, Majority Deputy Staff Director; Linda Good, Majority Chief Clerk; Michael R. Kiko, Majority Staff Assistant; Mark D. Marin, Majority Director of Oversight; Katy Rother, Majority Counsel; Laura L. Rush, Majority Deputy Chief Clerk; Sarah Vance, Assistant Clerk; Jaron Bourke, Minority Director of Administration; Beverly Fraser Britton, Minority Counsel; Courtney Cochran, Minority Press Secretary; and Adam Koshkin, Minority Research Assistant

Mr. MICA. Good morning.

I would like to call this hearing of the Committee on Oversight and Government Reform, Subcommittee on Government Operations, to order. Welcome everyone.

The title of this morning's hearing is "Reviewing Alternatives to Amtrak's Annual Losses in Food and Beverage Service." We have five witnesses and I will introduce them shortly.

The order of business will be as follows. We will have opening statements by members and then we will turn to our witnesses, introduce them, swear them and each of them will provide us with their testimony today.

Mr. Issa, our committee chairman, says, and I will paraphrase it, that our responsibility in the Oversight and Government Reform Committee is to be good stewards of taxpayer dollars and to make certain the hard earned tax dollars sent to Washington of the people we represent, particularly in a time of difficult financial deficits that are soaring in the United States that we are looking to how we can more efficiently, economically and responsibly deal with government programs that spend their money.

With that, I am going to recognize myself and other members as they join us and then we will get to our witnesses.

To begin, I welcome everyone and thank our witnesses for being here.

Today, we are going to review the results of an Amtrak IG report. This is not one our subcommittee requested but the Amtrak Inspector General, from time to time, does review operations. There have been several previous hearings in the Transportation Committee, Appropriations and others have looked at some of the losses Amtrak has incurred. One of the largest areas in which they have incurred losses is in food and beverage services.

In addition to this report, Amtrak issued a press release in October stating they had a plan to deal with some of these losses and we will hear a little bit about that.

As you may know, Amtrak's losses continue to mount, not only for food and beverage services, but the Federal Government has had to underwrite the total operations of Amtrak last year in excess of \$1.3 billion. During the last 12 years, Amtrak has lost nearly \$1 billion in food service, so \$999 million in losses in a dozen years. Unfortunately, those losses continue to mount.

Last year, Amtrak reportedly lost \$72 million on food and beverage services. Amtrak claims and testified before Congress some significant improvements have been made over prior years. If you look at Amtrak's financial statements, it would appear Amtrak has reduced their losses as it claims by \$33.2 million since 2006.

In reality, if you look at this report and dig into their books, sometimes it is difficult to do that, you can see the reduction in losses they have claimed to Congress and the American public is, in fact, the result of an accounting gimmick. Amtrak, unfortunately, has cooked the books on food service costs. Since 2002, Amtrak has increased the amount transferred to the food and beverage service program from ticket revenue by \$22.1 million.

In fact, Amtrak has not actually saved any of that money; they just shifted money between accounts to make it look as if their losses are being significantly reduced.

Another \$1.2 million of the so-called savings is an increase in State subsidies. That does reduce some of Amtrak's expenses. As you know, we also mandated in the PRIA legislation that States step up to the plate and be responsible for some of the cost of those routes. Those routes have been some of the most successful.

Today, we will look at not only food service at Amtrak but at some successful examples. One of those is with the Smithsonian Institution that actually turns a profit. Speaking of the State supported routes, another area we will look at is the North Carolina food service where they have managed to dramatically reduce the amount of losses in food service and do so in a responsible fashion.

In fact, in six years the reduction in losses that could possibly be attributable to the cost savings or revenue enhancing initiatives by Amtrak is less than \$10 million. I am sure they will come before us today and tell you they are in a downward spiral on these losses. We do have reports that this year again we will see a spike in those losses, even using accounting gimmicks.

On October 31, 2013, the Inspector General released the audit that identified an additional \$10.5 million that may be saved from

incremental adjustments. Hopefully we will hear about those today. In the referenced report, there are some positive suggestions as to how we can bring down some of these losses.

Beyond those incremental adjustments, the report concludes that additional savings will require significant changes to the current business model. I believe that makes sense. There have to be some dramatic changes to make some dramatic savings.

When you start to look at where the losses occur, it is clear that significant changes need to be made in some very specific areas. Last year, \$71.5 million of the \$72 million in losses was directly attributable to losses in long distance service. Overall, Amtrak spent \$1.50 to earn \$1 in revenue on its food service.

On its 15 long distance routes, Amtrak spent more than \$2.00 to earn \$1 in revenue in the same area. When you look at each of the long distance routes, some of the losses become even more startling. All but two routes spend more on labor than they earn in revenue. Six routes spend more on commissary costs than they earn in revenue.

One of the most glaring examples of losses is the Sunset Limited which runs from New Orleans to Los Angeles. In the Transportation Committee, we focused on the cost of a ticket is subsidized, not talking about food service. Every ticket on Amtrak is subsidized about \$40 per ticket, every one of the 30 million tickets sold last year.

On the Sunset Limited, there is close to a \$400 subsidy for every passenger ticket. The Sunset Limited also holds the record because it recovers less than 30 percent of its expenses to provide food and beverage services. It spends \$3.50 for every \$1.00 earned in food service revenue.

In the Sunset Limited chart, you can see a \$9.75 hamburger is subsidized \$24.19, an astounding amount. I believe every hamburger sold on Amtrak on average is subsidized around \$7.00. All of these taxpayer subsidies for food service do add up.

In terms of ridership, the Sunset Limited also has the highest losses on providing food service. For every passenger that rides the Sunset Limited route, the food service underwriting cost to the taxpayer is \$55 per rider. This is astronomical.

While every little bit helps, losses like this will not be recovered by reducing spoilage. We will have to make some major changes. I do not believe a five year plan is acceptable to zero out these losses. That is pretty simple. When you have a \$17 trillion national deficit, when they are trying to up that debt limit to almost another \$18 trillion, and look at the money we are spending and losing on Amtrak services, every dollar we are spending at the federal level, we are borrowing 43 cents.

Again, I think this is an important issue, one that deserves the committee's oversight and immediate attention.

Mr. MICA. With those opening comments, I would like to recognize Mr. Meadows.

Mr. MEADOWS. Thank you, Mr. Chairman. Thank each of you for coming today. Specifically, Mr. Worley, it is good to have you from my home State of North Carolina.

This is indeed an important hearing as our Nation is looking at \$17 trillion in debt, hundreds of billions of dollars annually in

terms of deficit. We need to make sure we are good stewards of federal tax dollars and represent the American people in a real way to minimize losses.

Obviously the food and beverage service provided by Amtrak on our Nation's railway right now is proving not to be a profitable market and the ability to provide those services.

Early on when I got into the business of providing food service, I owned restaurants, a gentleman I respected very much said let me give you rule number one. If you are buying watermelons for \$1.10 apiece, selling them for \$1.00, do not try to make it up in volume. We really need to look at how do we redirect this model to make sure we can look at reforms, eliminate the waste and provide better management within the program to minimize losses, while at the same time still giving Amtrak the ability to provide services riders have grown to expect.

Looking at specific examples in the private sector and changes in the public sector that other passenger railways like Piedmont have made in my own State of North Carolina is a good start to getting this program back on track.

I look forward to hearing your testimony. I want to apologize to the committee staff who do an excellent job of preparing and to the Chairman. I have another hearing to go to but we will be providing some questions we would love to work with you on a regular basis to look at some of the reforms in a very bipartisan way to make sure we mitigate some of the losses and damages that are out there.

Thank you and I yield back, Mr. Chairman.

Mr. MICA. I thank the gentleman.

Obviously folks can see we have some challenges with members and hearings. I have three hearings I am supposed to attend right now in addition to this one. This one will go on and we will complete it. When we have other Representatives, we will give them an opportunity for a statement and also for full participation in questioning.

At this time, we will move forward and introduce our witnesses. We have Mr. Thomas J. Hall, Chief of Customer Services, National Railroad Passenger Corporation, Amtrak; Mr. Ted Alves, Inspector General, Amtrak; Mr. Dwayne Bateman, Vice General Chairman, Unite-HERE Local 43; Mr. Ed Howell, Senior Vice President of Retail, Smithsonian Enterprises, Smithsonian Institution; and Mr. Paul Worley, Rail Division Director, North Carolina Department of Transportation Rail Division.

We thank all of our witnesses for being with us.

This is an Oversight and Investigations subcommittee of Congress. We do swear in all of our witnesses. Stand please and raise your right hand.

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

[Witnesses respond in the affirmative.]

Mr. MICA. Let the record reflect that the witnesses answered in the affirmative.

Again, I welcome each of the witnesses and thank you for your participation, especially the North Carolina witness who came from out of town, and the others here in Washington.

With that, we will start with the Chief of Customer Services for Amtrak, Mr. Thomas Hall.

I might say we will try to keep you to five minutes. If you have additional information or something you would like made part of the record of this hearing, please ask and we will include that in the record.

Mr. Hall, you are recognized.

STATEMENT OF THOMAS J. HALL

Mr. HALL. Chairman Mica and members of the committee, good morning.

My name is Tom Hall and I am Amtrak's Chief of Customer Service.

I have worked for Amtrak for 33 years running our food and beverage operations since 2005. I was appointed Chief of Customer Services earlier this year. It is an honor to be here this morning on behalf of Amtrak.

I will start by summarizing the history of our food and beverage services since our 2005 testimony before the House T&I Committee.

At the time, our performance needed improvement and the annual cost of providing food and beverage services exceeded revenue by a factor of two. In 2006, this amounted to a total loss of \$88 million. This was problematic and Amtrak launched a program to further reduce our losses on dining car services.

We took measures to reduce dining car staff and introduced new products which were less labor intensive and also introduced an onboard credit card collection system. We began development work on a point-of-sale system and an integrated warehouse inventory management system. We negotiated a better contract with our commissary providers and obtained even better terms when we rebid the commissary management contract.

In 2011, Amtrak's OIG recommended Amtrak pursue a program to implement cashless onboard transactions to minimize transaction costs, better utilize employee time and reduce the possibility of fraud. We have successfully piloted a point-of-sale system on Acela and certain State supported services. These systems are slated for system-wide introduction in 2014. This technology will allow us to pilot cashless sales next year.

Last year, when we appeared before the House T&I Committee to testify about food and beverage, we had made considerable progress. In inflation adjusted dollars, Amtrak reduced its food and beverage losses by over 30 percent between 2006 and 2012 from \$105 million in inflation adjusted dollars to \$72 million.

The total cost to Amtrak to offer food and beverage services to our passengers is about \$204.9 million or just over 8 percent of our total cost structure. Of that, we have recovered almost 65 percent of our costs through revenues in fiscal year 2012 meaning that the loss attributable to food and beverage services is equal to about 1.8 percent of all of Amtrak's costs.

These improvements did not happen by accident. Some are the product of ridership growth, some are the product of better support contracts, better technologies and more efficient processes. We have also introduced more consumer relevant products, optimized the supply chain and improved decision support from taking appropriate pricing actions, all designed to improve customer service, promote accountability and increase the focus on Amtrak's bottom line.

We are now developing plans for the next step which is elimination of the food and beverage loss over the next five years. Amtrak's strategic plan focuses on the bottom line. Our food and beverage plan is consistent with this strategy. To ensure proper management focus, we have consolidated responsibility for operations and accountability for financial performance into a single department which will work closely with each of our business lines.

The current loss is heavily concentrated in the dining car services of our long distance trains and we have identified several strategies that will help us to improve the financial performance of the food and beverage service. They fall into six broadly defined categories of work: onboard logistics, product development and supply chain, labor optimization, training, rewards and accountability, ticket revenue allocation, technology enhancements and process improvements.

In each category, specifically identified strategies will help cut costs and raise revenue. For example, labor optimization includes aligning dining car staffing with ridership, customer demand and financial performance to hold down cost. We will also improve sales and the revenue generation by establishing metrics to assess and incentivize employee sales while exploring new pricing and revenue management options.

Many of our approaches will expand an ongoing work. Implementation of onboard technologies is underway and is expected to improve revenue recovery and improve decision support while greatly reducing costs.

I want to conclude by saying simply that the food and beverage service program is vital to Amtrak's health. We believe we have a mission to minimize the impact on the taxpayers while providing an efficient and effective intercity passenger rail service on the national system. A unified food service operation with economies of scale is a component of that system.

Food service is necessary and studies have shown that the elimination of food service on Amtrak trains would cost more in terms of ticket revenue than is spent on the existing service. We nevertheless recognize the importance of getting the food and beverage loss to zero and are committed to making this necessary efficiency improvement within the next five years.

Thank you.

[Prepared statement of Mr. Hall follows:]

Good Morning, Chairman Mica, and members of the Subcommittee.

My name is Thomas Hall, and I am Amtrak's Chief of Customer Service. I have worked for Amtrak for 33 years, running our food and beverage services since 2005. I was appointed Chief of Customer Service earlier this year. I would like to start by summarizing for the members of the Committee some of the recent history of our food and beverage services. In 2005, Amtrak provided testimony on our food and beverage operations before the House T&I committee. At the time, our performance was problematic. Amtrak OIG and the GAO had studied the operation, and found that the annual cost of providing food and beverage service exceeded revenues by a factor of 2; in 2006, this total amounted to a net loss of \$88 million. This was a problem, and Amtrak launched a program to reduce our food and beverage loss. We reduced staffing levels in dining cars and introduced new products which were less labor intensive. We introduced onboard credit card systems and began development work on "point of sale" and warehouse inventory management systems. We negotiated a better contract with our commissary contractor, and then obtained even better terms when we re-bid the commissary management contract.

In 2011, Amtrak OIG recommended Amtrak pursue a program to implement cashless onboard transactions, to minimize transaction costs, better utilize employee time, and reduce the possibility of fraud. The full Point of Sale system is slated for system wide introduction in 2014 and cashless sales will be piloted shortly thereafter. Last year, when we appeared before the House T&I Committee to testify about food and beverage, we had a story that highlighted the considerable progress we have made. Amtrak reduced its food and beverage loss by over 30% between 2006 and 2012, from \$105 million in inflation-adjusted dollars to \$72 million. The total

cost to Amtrak to offer food service to our passengers is about \$204.9 million, or just over 8% of our total cost structure. Of that, we recovered almost 65% of our costs through revenues in FY 2012 – meaning that the loss attributable to food service is equal to about 1.8% of all the costs the company incurred.

We operate more than 300 trains in 46 states each day, and in addressing this problem we knew one solution would not fill all needs. Our improvement was achieved through a number of actions. Some of it is a product of ridership growth; some of it is a product of better support contracts, better technologies, and more efficient processes. Amtrak introduced more consumer-relevant products, optimized the supply chain, improved decision support and pricing actions. All of this is a product of a gradual process of transformation that is designed to improve customer service, promote accountability, and increase the focus on Amtrak's bottom line.

We are now in the process of completing the plans for the next step, which is the elimination of the food and beverage loss over the next five years. Amtrak has been working to implement a strategic plan that will improve our focus on the bottom line, the elimination of the food and beverage loss is consistent with this strategy. To ensure the proper management focus, we have this past summer consolidated responsibility for operations and accountability for financial performance into a single department. The current loss is heavily concentrated in the dining car services of our long distance trains, and we have identified several strategies that will help us to improve the financial performance of our food and beverage service. They fall into six broadly defined categories of work:

- On-Board Logistics

- Product Development and Supply Chain
- Labor Optimization
- Training, Rewards, and Accountability
- Ticket Revenue Allocation
- Technology Enhancements and Process Improvements

In each category, specifically identified strategies will help us to cut costs or raise revenue. For example, “labor optimization” includes two approaches: first, seeking to ensure that staffing is aligned with ridership, customer demand and financial performance on each route; this ensures that costs are minimized where they can be, while ensuring that we employ sufficient staff to meet demand and satisfy customers. That’s the cost savings aspect; we will also seek to improve sales and the revenue generation of food service cars. We are working now to establish metrics to assess employee sales, improve stock tracking, and exploring new pricing and revenue management options. Many of our approaches allow us to expand on work that is already ongoing. Implementation of onboard technologies is now underway, and is expected to improve revenue recovery and provide improved decision support, while greatly reducing the amount of time employees are required to spend performing unprofitable inventory tasks.

I want to conclude by saying simply that a strong and viable food service program is vital to Amtrak’s health. We believe we have a mission to minimize our impact on the taxpayer, while providing an efficient and effective intercity passenger rail service on the national system. We live in a very competitive transportation market, and one of our advantages is the ability to provide some amenities – things like freedom of movement, city-center service, and the ability to buy food when you want it. Taking this away would hurt our competitiveness and reduce our

appeal to the customer, particularly the long distance customer. Studies have shown that elimination of the food and beverage services on Amtrak trains would cost more in terms of revenue than is spent on the existing service. We nevertheless recognize the importance of getting the food and beverage loss to zero, and we are committed to making this necessary efficiency improvement within the next five years.

Mr. MICA. Thank you. We will hold questions until we have heard from everyone.

We will now hear from the Inspector General of Amtrak. Welcome and you are recognized.

STATEMENT OF TED ALVES

Mr. ALVES. Good morning, Chairman Mica, Ranking Member Connolly and members of the subcommittee.

Thank you for the opportunity to discuss Amtrak's food and beverage service. My testimony today will focus on Amtrak's progress reducing losses and opportunities to further reduce losses by improving business practices, processes and management information.

Losses in Amtrak's food and beverage service have been a long-standing issue and almost all of the losses were on long distance routes. Over the last several years, Amtrak has taken a number of steps to reduce food and beverage losses by increasing revenue and reducing costs. These steps have trimmed losses by \$33 million since fiscal year 2006.

Nonetheless, losses were \$72 million in fiscal year 2012. Our October 2013 report identified additional opportunities to improve business processes which we conservatively estimate could reduce losses by at least \$10.5 million per year.

For example, in fiscal year 2012, aligning onboard staffing with seasonal changes in ridership on long distance routes would have reduced costs by about \$7 million. Increasing the sales performance of lead service attendants by just 1 percent would have generated \$1.6 million in additional revenue.

Shortening reporting times for onboard service personnel on three long distance routes would have reduced labor costs by about \$100,000. Charging passengers for complementary items would have saved \$700,000.

We also noted that the lack of complete and accurate cost and revenue data hinders manager's ability to improve performance. We also reported that contracting out food and beverage services could offer significant benefits but also comes with complex workforce and financial implications.

Other railroads have reduced costs by contracting out food and beverage services. Although their operations are not directly comparable to Amtrak's, they are generally similar and can provide useful information about alternative business models.

The Downeaster, Alaska Railroad and the Rocky Mountaineer all contract with third parties to provide food and beverage services. Labor rates under these contracts are significantly lower than Amtrak's. For example, in fiscal year 2012, hourly labor rates for contracted cooks on the Rocky Mountaineer averaged about \$15 including limited benefits, while Amtrak's onboard employees averaged about \$41 including full benefits.

It is important to note that this fundamental change to Amtrak's business process would be complex and would involve significant risks. Consequently, this option should be approached in a structured, methodical manner to consider the number of factors including first the benefits that could be achieved by implementing process improvements such as those we have identified before contracting out. This is a best practice step often applied in order to

ensure that the benefits of efficiency improvements go to the entity rather than the contractor.

Second is the applicability of various railroad labor statutes. Third is the safety and security responsibility of onboard food and beverage personnel. Fourth is the likelihood and consequences of labor unrest.

In closing, we are encouraged that Amtrak agreed with the spirit of our recommendations and has committed to prepare a plan that will lead to eliminating food and beverage losses over five years. I believe this aggressive goal demonstrates that Amtrak is taking this issue seriously.

In order to achieve its ambitious goal, Amtrak will need a well developed plan that includes clear organizational accountability, year by year actions and loss reduction goals, metrics to measure progress and a sustained management commitment.

Mr. Chairman, this concludes my remarks. I would be glad to answer any questions the committee has.

[Prepared statement of Mr. Alves follows:]



*Before the Subcommittee on Government Operations,
Committee on Oversight & Government Reform
House of Representatives*

**Food and Beverage Service:
Progress and Opportunities to Reduce
Operating Losses**

**Statement of Ted Alves
Inspector General
National Railroad Passenger Corporation**

November 14, 2013

9:30 a.m. EST

Not releasable until 9:30 a.m. Thursday, November 14, 2013

OIG-T-2014-002



Good Morning Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee:

Thank you for the opportunity to discuss Amtrak's food and beverage service. My testimony today will focus on two areas:

1. Amtrak's progress in reducing losses, and
2. Opportunities to further reduce losses by improving business practices, processes, and management information

In summary, losses on Amtrak's food and beverage service have been a long-standing issue. From fiscal year (FY) 2006 through FY 2012, the food and beverage service incurred direct operating losses of more than \$609 million. The overwhelming majority of the losses were incurred on its long-distance routes.

We recognize that it is a significant challenge to provide efficient and cost-effective food and beverage services across a nationwide passenger rail system with varying route lengths and 24/7 operations. To successfully meet that challenge, it is important that Amtrak consider fundamental changes in its management of the food and beverage service.

Over the last several years, Amtrak has taken actions to reduce food and beverage losses. Nevertheless, in FY 2012, losses still totaled \$72 million. In our most recent report, we identified a number of opportunities to improve the efficiency and cost-effectiveness of the food and beverage service, including improving business processes and developing better business management data. Also, outsourcing certain food and beverage services could significantly reduce labor costs, but has complex workforce and financial implications. The corporation agreed with the spirit of our recommendations and announced in October 2013 that it is developing a five-year plan to eliminate food and beverage losses.

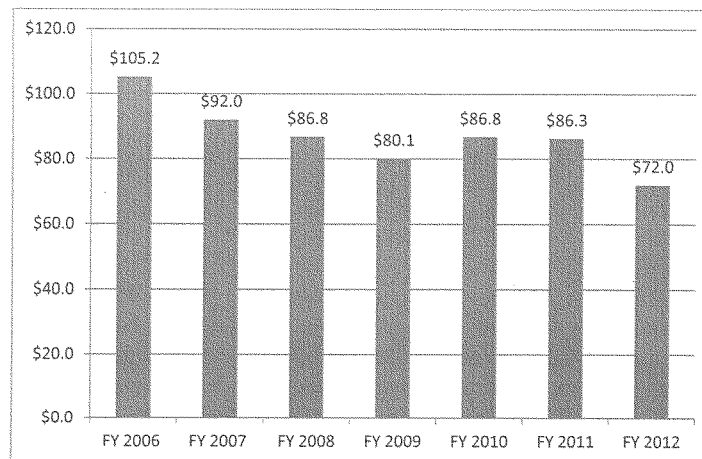
We are encouraged by this commitment, but recognize that promised actions alone cannot substitute for results. Without a well-documented plan that includes clear organizational accountability, year-by-year loss reduction goals and metrics, and a sustained management commitment, Amtrak will not likely achieve the results it seeks. We will monitor the corporation's progress developing and implementing the plan.

Losses Have Decreased but Remain Significant

Food and beverage service is an amenity that is common on passenger rail, and Amtrak's passengers have come to expect it, particularly on routes that take several days. Amtrak's operating losses on food and beverage services have been a long-standing issue, and they contribute directly to the need for federal subsidies to support operations. To Amtrak's credit, it has reduced food and beverage losses, but they remain significant.

From FY 2006 through FY 2012, food and beverage operating losses decreased by a reported \$33.2 million, as shown in Figure 1.

Figure 1. Amtrak's Reported Food and Beverage Direct Operating Losses, FY 2006 to FY 2012 (dollars in millions)



Source: Finance department, Food and Beverage Marketing Reports, FY 2006–FY 2012
 Note: All figures are reported in 2012 dollars.

As shown in Table 1, about 99 percent of FY 2012 food and beverage losses (\$71.5 million) came from long-distance routes; labor costs were the key driver of the losses. For example, on 13 of Amtrak's 15 long-distance routes, labor costs alone exceeded the revenue for food and beverage service.

Table 1. Reported Food and Beverage Direct Operating Loss, FY 2012 (dollars in millions)

Routes	Food and Beverage Revenue	Direct Costs			Profit/Loss	Percentage of loss
		Onboard Labor	Commissary	Total Direct Costs		
Northeast Corridor	\$36.5	\$19.0	\$16.7	\$35.7	\$0.8	-1%
State-supported	32.9	19.0	15.2	34.2	(1.3) ^a	2
Long-distance	63.5	75.3	59.8	135.0	(71.5)	99
Total	\$132.9	\$113.2	\$91.7	\$204.9	(\$72.0)	100%

Source: Amtrak Finance department, Food and Beverage Marketing Report for FY 2012.

Note: Numbers do not all add to totals due to rounding.

^a Food and beverage operating losses on state-supported routes came from the routes where Amtrak provided services that are not subsidized by the states. The Passenger Rail Improvement & Investment Act of 2008 directed equal treatment of the states by October 16, 2013.

Amtrak achieved its reported reductions in losses from FY 2006 through FY 2012 as a result of revenue increases and efficiency improvements that reduced costs. The revenue increases came from the following sources:

- Food and beverage revenue transfers from sleeper class on long-distance routes and Acela first-class tickets increased by \$22.1 million.
- Onboard cash and credit card sales increased \$8.9 million on all routes.
- Subsidies from state-supported routes, which Amtrak counts as revenue, increased by \$1.2 million, from \$9.7 to \$10.9 million.

In addition, Amtrak took actions to reduce costs:

- In October 2008, Amtrak awarded a new contract for food and beverage service warehouse management that included greater volume discounts and incentives to control costs. As a result, from FY 2006 through FY 2012, commissary costs decreased by \$4.5 million.

- Starting in fall 2011, Operations department officials began implementing staffing efficiencies, such as reducing reporting times for onboard staff on selected long-distance routes. Although labor costs decreased by \$6.2 million in the first full year after implementing these efficiencies, overall labor costs increased by \$3.6 million from FY 2006 through FY 2012.¹

To enhance the management of the food and beverage services, the corporation consolidated previously dispersed responsibilities for food and beverage activities into the Operations department. Although this was a positive step, three offices in Operations still have food and beverage responsibilities and separate reporting chains to the Vice President, Operations. As a result, accountability for improving financial performance remains split among the three, leaving final accountability with the Vice President, Operations.

In addition, our previous reports have documented long-standing internal control weaknesses and gaps in the onboard food and beverage service. In a June 2011 report, we estimated that \$4 million to \$7 million of Amtrak's onboard food and beverage sales could be at risk of theft.² The report identified limited oversight on some routes and a number of recurring employee schemes to steal revenues and inventories. Examples include inflating first-class meal checks, selling non-Amtrak items for cash, shorting cash register sales, stealing inventory, and providing items at no cost. In response to our recommendations, the corporation has established a loss-prevention unit and also plans to establish a pilot project for cashless food and beverage sales in early 2014.

Additional Business Process Changes Provide Opportunities to Reduce Losses

Our October 2013 report identified a number of opportunities to improve business practices, processes, and management information.³

¹ A portion of these increases resulted from a 2010 labor agreement, which provided guaranteed wage increases for food and beverage employees.

² *Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps*, Report No. E-11-03, June 23, 2011.

³ *Food and Beverage Service: Potential Opportunities to Reduce Losses*, Audit Report OIG-A-2014-001, October 31, 2013.

Opportunities to Improve Existing Model

Our report identified six opportunities to improve business practices and processes, which we conservatively estimate have the potential to reduce losses by at least \$10.5 million annually—and probably much more, depending on how they are implemented. Based on our work, we believe that Amtrak can capitalize on most of these opportunities in the near- to medium-term.

1. **Align staffing of dining cars to ridership.** When staffing dining cars, route managers are not required to consider seasonal changes in customer demand, which results in unnecessary labor costs. We estimate that aligning onboard staffing on 13 long-distance routes with seasonal changes in ridership could have reduced costs by about \$6.9 million in FY 2012.
2. **Monitor and manage the sales performance of lead service attendants.** The amount of revenue generated by different lead service attendants on the same routes varies widely, which suggests an opportunity to earn more by using performance monitoring tools and employee incentives. Increasing the sales performance of these employees by just one percent in 2012 would have generated \$1.6 million. Amtrak is developing a report for managers to monitor the sales performance of lead service attendants.
3. **Shorten reporting times for onboard service personnel.** Each long-distance route manager determines reporting times based on operational needs. As a result, the times vary from one to five hours before the train's scheduled departure. On the three long-distance routes we traveled, shortening the time period could reduce labor costs by about \$100,000 annually.
4. **Align service to the needs of each route.** Route managers retain their base dining car service year-round for the duration of each long-distance trip regardless of customer demand. Our analysis identified opportunities to align food and beverage service with variations in ridership, customer demand, and financial performance. These include amending or eliminating the sit-down dining car service seasonally on selected routes or on portions of some routes.
5. **Ensure that the cost of complimentary items is recovered.** The Auto Train offers passengers complimentary wine and cheese, and three long-distance routes provide complimentary wine and champagne to sleeper car passengers. In FY 2012, this practice cost Amtrak \$428,000. In addition, employee pass riders travelling for free consumed about \$260,000 in complimentary meals on the Auto Train in FY 2012. Amtrak can increase revenues and thereby decrease losses by charging passengers for these items.

6. **Reduce spoilage.** The food spoilage rate of the Great Southern Rail in Australia is 5 percent; Amtrak's is 8.3 percent. We identified a number of causes for spoilage, including high onboard stock levels and excessive backordering. The Downeaster, a state-supported Amtrak route, reduces spoilage by reducing the price of food that approaches its expiration date at the end of trips. Selling food approaching its expiration date would increase revenue. Reducing spoilage to the level of the Great Southern Rail could save more than \$1.2 million annually.

Improved Business Performance Information Needed for Effective Management

We also found that the food and beverage accounting process lacks the capability to generate the information needed to efficiently and effectively operate the service. For example, route managers lack labor cost and revenue data by train and departure date, as shown in Table 2.

Table 2. Availability of Food and Beverage Financial Data by Operational Level

Operational Level	Revenues	Costs			
		Labor Wages & Benefits	Labor Support ^a	Food	Commissary
System-wide	Available	Available	Available	Available	Available ^b
Route ^c	Available	Available	Available ^e	Available	Available ^f
Train, by departure date ^d	Limited Availability	Available, but not calculated by departure date	Available ^e	Available	Available ^f
Food Service Car, by departure date	Limited Availability	Unavailable	Available ^e	Available	Available ^f

Source: Amtrak OIG analysis of Amtrak data and officials' statements

Notes:

^a Crew meals, crew hotels, uniforms, training, and some crew base costs

^b Actual food costs are tracked and available for each of the 11 commissaries.

^c There are 44 different routes (not including special trains).

^d More than 300 trains operate each day.

^e These costs are allocated.

^f These costs are allocated based on the number of trains served by each commissary.

Amtrak's systems do not have the capability to track this data. To achieve profit-and-loss accountability for the service, cost and revenue data must be more complete and

accurate. In addition, Amtrak's accounting process lacks the capability to generate needed business information—such as the time of individual sales. The lack of this data hinders the ability of managers to align staffing with customer demand.

Contracting Could Offer Significant Benefits, but Has Complex Workforce and Financial Implications

To achieve a more significant impact on financial performance, Amtrak may require a completely different business model. As we reported, contracting out food and beverage services offers the greatest potential for cost reductions; nevertheless, this change to the business process would be complex and risk-prone. Consequently, this option should be approached in a structured, methodical manner.

Leading organizations consider it a best practice to pilot new programs and ideas to determine the costs and benefits of a new approach. In addition, when considering the outsourcing of activities, best practices organizations first ensure that their business processes use the most efficient and effective approach for conducting the activity. Otherwise, the cost of outsourcing could be higher than necessary, and much of the subsequent efficiency gains could benefit only the contractor—not the organization. Clearly, Amtrak's business processes are not optimized so there are significant efficiencies to be gained from process improvements.

Amtrak also would need to consider other qualitative and quantitative factors. The *quantitative* factors include the applicability of various railroad labor statutes—such as the Railroad Retirement Act, the Federal Employers' Liability Act, and the Railroad Unemployment Insurance Act. Amtrak must also weigh certain *qualitative* factors, such as the safety and security responsibilities of onboard personnel, and the possibility of labor unrest. Further, a contractor would likely have to obtain its own liquor licenses, which cost Amtrak about \$88,000 a year—not including the administrative costs to research state and local laws and navigate the application and approval process in multiple jurisdictions.

Other railroads have tried this approach successfully. Although these models do not provide a direct comparison to Amtrak's food and beverage service, they are generally similar. As such, they can provide useful information for identifying and considering ways to reduce food and beverage losses. For example, the Downeaster, Alaska Railroad, and the Rocky Mountaineer contract with third parties for all or nearly all of their food and beverage service.

On all three railroads, labor rates for food and beverage personnel are significantly lower than Amtrak's. According to Downeaster and Alaska Railroad officials, hourly labor rates for contracted staff, including servers and cooks, ranged from \$7.75 to \$13.00, with no employee benefits. In FY 2012, hourly labor rates for contracted cooks on the Rocky Mountaineer averaged \$14.70, including limited benefits. In contrast, Amtrak's onboard employees were paid an average of \$41.19 per hour in FY 2012, including full benefits.⁴

What We Recommend

Since we reported on potential improvements to the food and beverage service in 2011, we have made various recommendations to the President and Chief Executive Officer, and the Vice President, Operations, to improve the efficiency and effectiveness of food and beverage services.

In September 2012, we recommended the development of a five-year plan for reducing direct operating losses and emphasized the need to improve program accountability. In October 2013, we recommended developing improved financial and business management data, piloting various options to increase efficiency, and piloting contracting out food and beverage services on selected routes. In commenting on both of our reports, Amtrak agreed with the spirit of our recommendations and agreed to take actions, such as the development of a five-year plan, with a goal to eliminate food and beverage losses. We will continue to monitor Amtrak's progress addressing our recommendations and report as appropriate.

Mr. Chairman, I thank the Committee for your interest in our work. This concludes my testimony, and I welcome your questions.

⁴ The labor rate is based on the average hourly rate plus hourly benefit rate for the highest wage position (lead service attendant) and lowest wage position (service attendant). Amtrak benefits include medical insurance, railroad retirement, post-employment benefits, dental insurance, disability insurance, life insurance, unemployment, railroad workers compensation, and administrative fees. The Rocky Mountaineer's benefits include only medical insurance.

Mr. MICA. Thank you. We will withhold questions.

Mr. CONNOLLY. May I ask one question, Mr. Chairman? Where is Mr. Alves from?

Mr. ALVES. I am from Boston.

Mr. MICA. We will hear the rest of the witnesses and then yield five minutes or whatever time you need for an opening statement before we get to questions.

I now want to hear from Mr. Ed Howell, Senior Vice President of Retail at Smithsonian Enterprises. I want to hear from him first and then we will finish up because I want to hear a couple of success stories. Go ahead.

STATEMENT OF ED HOWELL

Mr. HOWELL. Chairman Mica, Ranking Member Connolly and members of the committee, thank you for inviting me to testify at this hearing.

The Smithsonian Enterprises is a division of the Smithsonian Institution, the world's largest museum and research organization, established in 1846 with bequests from English scientist, James Smithson.

The Smithsonian currently encompasses 19 museums and galleries, the National Zoo and nine research centers. The Smithsonian has facilities in seven States, the District of Columbia, the Republic of Panama and over 6,000 employees. We conduct research in more than 100 countries.

Smithsonian Enterprises operates retail, media, product development, licensing and other services that promote the Smithsonian mission while generating essential, unrestricted funding for the Institution. These include museum stores, theaters, restaurants and cafes, mail order and online catalogs, book publishing, an award-winning television channel and an award winning magazine.

By providing products and services that draw from the Smithsonian collection and the research and scholarship of our curators and scientists, Smithsonian Enterprises plays a critical role in advancing the Institution's mission, the increase and diffusion of knowledge.

Smithsonian Enterprises is self sustaining. It does not receive federal appropriations. The Smithsonian offers food services in nine museums and the National Zoo. These consist of restaurants, cafes and food carts operated by three independent contractors known as concessioners. Smithsonian Enterprises oversees the concession contracts at the museums and the Friends of the National Zoo, FONZ, oversees the concession contract at the National Zoo.

Concessioners pay the Smithsonian a percentage of their sales and are responsible for hiring and managing food service staff, purchasing all food supplies and meeting performance standards established by their contracts. The Smithsonian is proud of the variety of food that is served at our museums and the Zoo.

The Smithsonian food service provides food and beverage to approximately 20 percent of our 30 million visitors each year. The variety of offerings range from a hamburger and fries to cedar-planked salmon cooked on an open fire pit at the National Museum of the American Indian. The menu is designed to appeal to children, families and adults from the United States and abroad.

If you have any questions, I would be pleased to answer them.
Thank you.
[Prepared statement of Mr. Howell follows:]

Testimony of Ed Howell
Senior Vice President of Retail, Smithsonian Enterprises
Before the U.S. House of Representatives
Committee on Oversight and Government Reform
Subcommittee on Government Operations

November 14, 2013

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responsible for hiring and managing food service staff, purchasing all food and supplies, and meeting performance standards established in their contracts.

The Smithsonian is proud of the variety of food services offered at its museums and the Zoo. The Smithsonian food services provide food and beverage to approximately 20% of our 30,000,000 visitors each year. The variety of offerings, ranging from a hamburger and fries to cedar-planked salmon cooked over an open fire pit at the National Museum of the American Indian, is designed to appeal children, families, and adults from the U.S. and abroad.

I am happy to answer any questions. Thank you.

Mr. MICA. We will get back to you with questions.

Now we will go to Mr. Paul Worley, the Rail Division Director, North Carolina Department of Transportation, Rail Division. You are recognized.

STATEMENT OF PAUL WORLEY

Mr. WORLEY. Chairman Mica, Ranking Member Connolly and members of the subcommittee, I am pleased to have the opportunity today to come before you and discuss North Carolina's State-supported intercity passenger rail program, our Piedmont and Carolinian services and use of vending machines to provide food service aboard most of our trains.

I am Paul Worley, Rail Division Director with North Carolina Department of Transportation.

We began operation of the North Carolinian passenger train service in May of 1990 using Amtrak-owned equipment. This route operates between Charlotte, Greensboro-Raleigh, Washington and New York.

In May 1995, the State-supported Raleigh to Charlotte Piedmont was added. Amtrak equipment was not available for this service, so NCDOT acquired its own rehabbing used coaches and locomotives for half the cost of new equipment.

Both services have enjoyed tremendous success. Over the past ten years, ridership on the Piedmont service has grown from just under 40,000 riders in 2003 to over 170,000 riders in 2013. A second daily round trip was added in June 2010.

Our inner city rail passenger service has evolved as we improved safety, rail infrastructure and reduced travel times. For the first seven years of the Piedmont service, 1995–2002, NCDOT offered a traditional cafe hot food and beverage service. The car was staffed with one full-time employee of a private sector food and beverage service contractor. NCDOT competitively bid the Piedmont food and beverage service.

While this service was very popular with the passengers, it was also very expensive to operate and maintain. Because we served hot meals, the State Health Department ruled it a rolling restaurant. Therefore, we had to comply with all the State regulations.

Staffing the car with good, reliable employees every day was the most challenging aspect of our service. During an average year, this service with hot food cost NCDOT approximately \$350,000 after sales revenues were applied to labor and product maintenance costs. This was simply not sustainable.

With this expense and reduction of travel time, the food service on the Piedmont was temporarily modified to include a limited self serve menu of complementary coffee, beverages and snacks.

After much in-house research and surveying of passengers, NCDOT decided the most cost effective and efficient food and beverage service for the Piedmont would be self service vending machines. We modified our cafe cars. We had two State-owned full size snack machines installed and two beverage machines installed. We also installed self service coffee and a bottled water display refrigerator.

Since transitioning to a vending machine service, significant cost savings have been realized. The machines have been shown to be very reliable with minimal down time. We converted the cars and that cost around \$750,000 each. Costs associated with the bottled water and coffee are covered by a 50 cent surcharge added to each Raleigh to Charlotte corridor ticket.

Beyond the initial capital costs, NCDOT's Piedmont snack and beverage service is now paying for itself. Based on recent analysis, revenue averages about \$2,700 per month and supplies and maintenance costs around \$2,000 per month. Don't tell anyone we are making money.

While we made these food services changes, our ridership has grown by 279 percent from 2004 to 2013. Since initiating vending machine service in 2009, ridership has grown by 248 percent. However, it must be noted that the second daily roundtrip of the Piedmont was added in 2010 and that has driven much of this growth.

While the Piedmont success story is one with which we are very pleased, we currently rely on Amtrak's food service on the Carolinian which is a much longer route of 704 miles. While we do not feel that vending machine service is appropriate for such a long route, we do believe there may be opportunities for efficiencies and improved service.

Based on our current agreement with Amtrak, based on the new PRIA Section 209 methodology, we estimate that food service losses on the Carolinian for fiscal year 2014 are believed to total around \$500,000. As a State-supported service, we have to pay for that.

Food service is just one area in which North Carolina has taken efforts to improve our service and find more efficient and less costly ways to provide passenger amenities. In the coming year, we will commission studies to find more efficiencies and enterprising opportunities with our State-supported services.

We have been a national leader in cost and safety, constructing rail improvements and providing passenger service with high customer satisfaction and will continue to develop those services to exceed customer expectations.

I appreciate the opportunity to provide testimony on these issues. The State has innovated and tried to meet the needs of our customers. While we all can learn from these experiences, one size does not fit all.

Thank you.

[Prepared statement of Mr. Worley follows:]

TESTIMONY

of Paul C. Worley

North Carolina Department of Transportation Rail Division

before the

Oversight and Government Reform Committee

Subcommittee on Government Operations

United States House of Representatives



November 14, 2013

Testimony of Paul C. Worley
 North Carolina Department of Transportation Rail Division
 before the
 Oversight and Government Reform Committee
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Chairman Mica, Ranking Member Connolly, and members of the Subcommittee, I am pleased to have the opportunity today to come before you and discuss North Carolina's state-supported intercity passenger rail program, our *Piedmont* and *Carolinian* services and use of vending machines to provide food service aboard most of our trains.

My name is Paul Worley, and I am Rail Division Director with the North Carolina Department of Transportation. Our Department has been an active participant in and leaders among the American Association of State Highway and Transportation Officials (AASHTO) Standing Committee on Rail Transportation and the States for Passenger Rail Coalition. We have also been an engaged participant in the States Working Group on the development of the cost allocation policy and working through the PRIIA Section 209 negotiations with Amtrak.

The North Carolina Department of Transportation Rail Division, or NCDOT, began operation of the *Carolinian* rail passenger train service in May 1990 using Amtrak-owned equipment. This route operates between Charlotte-Greensboro-Raleigh-Washington-New York. In May of 1995, the state-supported Raleigh to Charlotte *Piedmont* service was added. This service was implemented to connect the state capital of Raleigh to our state's business center of Charlotte. Amtrak equipment was not available for this service so NCDOT procured its own equipment – rehabbing used coaches and locomotives for half the cost of new equipment.

Both services have enjoyed tremendous growth, with the *Piedmont* leading the Amtrak system in ridership growth in recent years. The *Carolinian* has grown to the point that capacity constraints are limiting further expansion in the near term. In addition, the *Piedmont*, with its unique state-owned equipment, has consistently been among the best in the country for customer service and satisfaction. Over the past ten years, ridership on the *Piedmont* service has grown from just under 40,000 riders in FFY2003 to over 170,000 riders in FFY2013. A second daily round trip was added in June of 2010.

Our intercity passenger rail service has evolved as we partnered with the USDOT, North Carolina Railroad Company, Norfolk Southern Railway and CSX Transportation to improve safety, strengthen rail infrastructure and reduce travel times. For the first seven years of *Piedmont* service, 1995-2002, NCDOT offered a traditional café style food and beverage service. The NCDOT-owned café car had both lounge and booth seating, a self-service cafeteria-style counter line with display refrigeration units containing prepackaged foods and beverages, and a fully-equipped galley for hot meal preparation. The car was staffed with one full-time employee of a private sector contract food and beverage service provider. NCDOT competitively bid the *Piedmont* food and beverage service over multiple year contracts. The contractor was responsible for provisioning the café car, preparing meals and providing customer service. NCDOT's private sector train maintenance contractor was responsible for maintaining and cleaning the café car during layover periods.

While the original *Piedmont* food and beverage service was very popular with passengers, it was also very expensive to operate and maintain. Due to the preparation of hot meals – sausage and egg biscuits, grits, barbecue and the like – on board the car, the North Carolina Department of Health and Human Services ruled that NCDOT's café car was a "rolling restaurant," and therefore had to comply with all state restaurant regulations and inspections. The restaurant fumigation requirements added costs, mainly by increasing the spare railcar ratio. Food onboard a train requires many "touches," from distributor, inventory, commissary and on-

train storage, to preparation and serving the customer. A restaurant requires seating and with a ready supply of customers, turnover. The train duty cycle is long and staffing the café car with good reliable employees 7 days a week, 365 days a year was the most challenging aspect of the service. During an average year, the café car service with hot food cost NCDOT approximately \$350,000 after sales revenues were applied to total labor, product and maintenance costs. The Rail Division determined that this annual food and beverage service loss was not sustainable or justifiable for the type of intra-state passenger service provided by the *Piedmont*, where the total trip time had been reduced by a full hour to three hours, fifteen minutes.

In part due to the reduction in trip time, and the expense of offering hot meal service, food service on the *Piedmont* was modified to include a limited self-service menu of coffee, complimentary beverages and snacks. Complimentary items were offered until we could reevaluate our service, retool our equipment and change our offerings.

At the same time, NCDOT was also reevaluating its checked baggage service, which required the lease of Amtrak-owned baggage cars. That full-length baggage car was underutilized due to the short *Piedmont* trip lengths. In addition to the baggage car lease payments, NCDOT had to pay for the ongoing maintenance of the car. Thus the cost-benefit ratio for *Piedmont* baggage service was poor, much like the food and beverage service prior to 2003.

After much in-house research and surveying of passengers, NCDOT decided the most cost effective and efficient food and beverage service for the *Piedmont* would be self-service vending machines. The Rail Division decided to combine all "non-revenue" functions in one railcar, thus eliminating the need for and expense of separate food service and baggage cars. NCDOT's café cars were withdrawn from service one by one for modification. The galley, cafeteria counter and display refrigeration and freezers were removed from the cars. In their place, a 28-foot-long baggage section with five bicycle racks was constructed. A 20-foot-long portion of the lounge area was converted to the vending machine area. On one side of the vending area, two state-owned full size snack machines and two full size beverage machines were installed. On this side there is also a counter that includes recycling for bottles, printed materials and cans. The vending machines are fully bolted and attached to the passenger cars so that they may withstand tipping in service or in the event of a derailment at 8 G's of tearout force. On the opposite side of the aisle, a stainless steel counter with a small sink, self-service coffee dispensing machine and a bottled water display refrigerator were installed. The vending machine area was made wheelchair accessible. Two wheelchair locations with folding tables were installed in the lounge area.

I will now quickly go through some slides so you can better visualize the changes in our equipment.

Since transitioning to vending machine service, significant cost savings have been realized. The machines have proven very reliable with minimal downtime. Contract vending machine repair technicians are available on short notice at both ends of the Raleigh to Charlotte rail corridor. Because each NCDOT baggage/lounge car carries two snack machines and two beverage machines, redundancy assures product availability should one machine be temporarily out of service or out of a particular variety of product.

The conversion of the NCDOT café cars to combination baggage/lounge cars cost NCDOT approximately \$750,000 each. The average cost of a vending machine is \$3,500. During a typical month their sales exceed the cost of goods sold. Costs associated with bottled water and self-service coffee are covered by a 50¢ surcharge added to each Raleigh to Charlotte corridor ticket. To maintain uniform pricing between the *Piedmont* and *Carolinian*, the surcharge was also added to each *Carolinian* fare (for the Raleigh to Charlotte corridor only). Exclusive of the initial capital costs for converting the NCDOT railcars to vending machine service, NCDOT's *Piedmont* snack and beverage service is now paying for itself. Because meals are no longer prepared on the railcar, State Health Department inspections and maintenance requirements, and their associated costs, have ended. Products in the vending machines are purchased at local warehouse clubs and stocked by our maintenance contractor. Vending machine products that are near expiration are donated to a non-profit Food Bank.

Based on recent analysis, *Piedmont* service vending machine revenue averages about \$2,700 per month. For the average month, the cost for supplies, maintenance and depreciation totals about \$2,000 per month. While we made these food service changes, our ridership has grown by 279% (from FFY2004 to FFY2013). Since initiating vending machine service in FFY2009, ridership has grown by 248%. However, it must be noted that the second daily round trip of *Piedmont* service was added in FFY2010 – and that, as opposed to food service offerings, has driven much of this growth. Given the relatively short trips times, we do not believe that the vending-style food offerings have negatively impacted our service, and we do pride ourselves in having a good cup of coffee that is made by the cup to minimize waste. I will add!

While the *Piedmont*'s success story is one that we are very pleased with, we currently rely on Amtrak's food service on the *Carolinian*, which is a much longer route that operates through to the Northeast Corridor. While we do not feel that vending machine service is appropriate for such a long route (704 miles) with average trip lengths of over 300 miles, we do believe there may be opportunities for efficiencies and improved service and products. We look forward to working in collaboration with Amtrak to increase revenue and find efficiencies while improving service. For example, there is not an incentive for food service attendants to increase sales. Also, the food service car is closed for part of each trip so that employees can inventory stock during a shift change. Amtrak has indicated that point of sale systems are on the way and will prevent this practice, but to date, it continues. These are just a few of the areas we would like to look into. Also, many products often sell out, and there are limited to no measures to restock. To look into matters such as these, accurate food service revenue and cost data must be provided. Currently, only summary level estimates are made available by Amtrak. Amtrak has indicated that it cannot provide actual sales information and product cost data for the *Carolinian* route. However, based on our current agreement with Amtrak, that is based on the new PRIIA Section 209 methodology, we estimate that food service losses on the *Carolinian* for FFY2014 are believed to total approximately \$500K.

Unfortunately, the limited data we are provided by Amtrak and the processes in obtaining it does not allow us to maintain a real-time cost analysis of the riders and fares so that we get a good account of who has paid for the coffee and water surcharge on the *Piedmont*. Getting such data, much of which Amtrak designates as proprietary, is always complex and is governed by proprietary provisions that are detailed in our new Section 209 operating contract. If NCDOT had more current or real time access to this data through the Amtrak E-ticketing system while providing Amtrak the ability to protect their franchise, we could better analyze costs, expenses, revenues, and ridership between city pairs, thus providing an improved service that is partly paid for through the public sector. This would also allow us to better collaborate with Amtrak on providing the North Carolina services. While the exact amount of surcharge revenue is not known due to these data limitations, we have calculated the surcharge based on historical passenger information. Based on this calculation, we believe surcharge revenue for the *Piedmont* service, which is used to pay for water and coffee service, totaled approximately \$78K in FFY2012, or about \$6,500 per month – far in excess of the average monthly cost of approximately \$2.4K.

Vending is just one area in which North Carolina has taken steps to improve our service and find more efficient and less costly ways to provide passenger amenities. We noted the savings in capital costs by procuring and restoring used equipment to today's safety and travel standards. In addition, we provide amenities such as AC power at all seats, 4G Wi-Fi coming early 2014, and volunteer train hosts that assist riders with information in order to provide the best customer service experience possible. Also, our *Piedmont* equipment has been maintained by private contractors, who are provided benefits comparable to state employees including health insurance, at our Raleigh maintenance facility owned by NCDOT since 1995. We are very pleased with the quality of maintenance performed on our fleet and the flexibility to accommodate daily and special operations.

In the coming year, we will commission studies to find more efficiencies and enterprising opportunities with our NCDOT passenger services, including but not limited to food offerings, reservation services, joint marketing opportunities and brokered purchase of liability coverage, which continues to be a major expense for NCDOT – but is one area that Amtrak can cover without such a significant expense to states.

NCDOT has led the nation in crossing safety, constructing rail improvements – now even with local traditional highway contractors working on main line railroad projects, and providing passenger service with high customer satisfaction. Against this backdrop of innovating, learning and making rational adjustments, NCDOT continues to develop services that exceed customer expectations.

All this being said, we know that there is still much to do. As Congress prepares to reauthorize PRIIA, I hope you will look at ways to provide extra flexibility to the states – the ones now paying for the allocated cost of services as per Section 209 – and not overwhelm us with processes that keep data from public view, labor costs high and without flexibility, and amenities without competition and innovation. A 21st-century high-performing railroad service must be allowed to take advantage of competitive contracts in both cost and service delivered. This will allow states to improve the services, generate additional revenues, and close the financial gap between the fare box and service provided by the state.

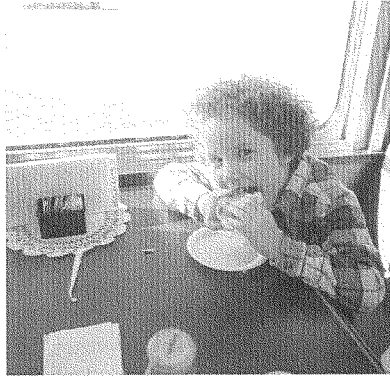
Mr. Chairman, I appreciate the opportunity to provide testimony on these issues. States have innovated in food and other services to meet the needs of our customers. While we can all learn from these experiences, one size does not fit all, and a solution that works well in one state may not work in another part of the country. As Congress considers reauthorizing PRIIA, I ask that you grant more authority – and perhaps even incentives to states and Amtrak – to develop creative and cost-effective solutions. I ask for the continued support of the Subcommittee as we pursue our work, and I again offer our assistance as the body considers important issues that impact our ability to deliver a cost-effective and efficient rail passenger program. Thank you.

For more information on NCDOT passenger service initiatives, visit our web site at:
<http://www.ncbytrain.org>

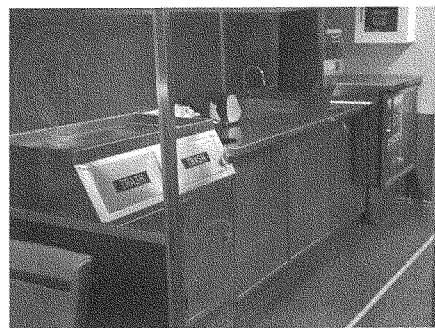
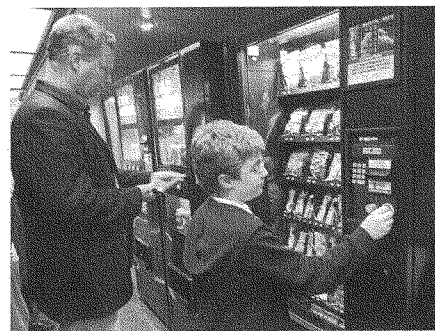
or contact:

Paul C. Worley, CPM
 Rail Division Director
 NC Department of Transportation Rail Division
 1553 MSC
 Raleigh, NC 27699-1553
 Phone: (919) 707-4714
pworley@ncdot.gov

Original restaurant-style food service.



Current vending-style food service.



Mr. MICA. Very accurate, right down to the second. Thank you. We will hear now from Mr. Dwayne Bateman. He is Vice General Chairman of Unite-HERE Local 43. Welcome and you are recognized.

STATEMENT OF DWAYNE BATEMAN

Mr. BATEMAN. Thank you, sir.

Chairman Mica, Ranking Member Connolly and members of the committee, thank you for the opportunity to come today and speak on behalf of Amtrak's food and beverage service workers.

My name is Dwayne Bateman. I am a lead service attendant currently working in Amtrak's Northeast corridor between Washington and New York City. I am also Vice General Chairman for Unite-HERE Local 43 which represents many onboard service workers. I have been in on-board service for over 35 years working virtually every position associated with this service and on numerous trains.

When you work on-board Amtrak trains, you have to be trained and able to respond to every type of emergency. You cannot call 911 on a train traveling across the Mojave Desert or the Great Plains. If someone has a heart attack, we have to save their life. If there is a derailment, we have to evacuate the train. If there is a terrorist onboard, it is our job to take action. We are trained and ready to respond.

Another fact concerning working on Amtrak trains. It is extremely grueling. Say someone is working the California Zephyr between Chicago and northern California, which is a six day roundtrip assignment where they work 84 hours practically on their feet the entire time. The shortest workday lasts 10 hours and there are three days where they work 17 hours or more per day. Anyone who works for on-board service knows what back breaking labor feels like.

No one is more acutely aware of the pressures facing Amtrak than the service workers who devote themselves to caring for our passengers. Now the Inspector General says we earn too much. To justify this, his report made comparisons to the Downeaster which only lasts eight hours roundtrip and does not profit from its food service. He also compared us to tourist trains that do not operate overnight or have sleeping berths.

None of the aforementioned service workers are subject to the arduous conditions or required to meet the stringent emergency and safety training standards of Amtrak employees. Let us be frank. Low wage food and beverage jobs are completely incompatible with transportation security and good customer service.

Rather than playing politics or making uninformed comparisons, let us be reasonable. If you want to look at the cost of similar types of work, do not look at commuter service or tourist railroads. Look at aviation instead.

After five years of service, an Amtrak food and beverage worker earns between \$24.50 and \$28.62 per hour. This is very similar to flight attendants on American, Continental, Delta, Spirit, United and US Airways. Not only do airlines pay the same rates as Amtrak, they also recognize the value in food service. Despite the much publicized decade of cost cutting on airplanes, Amtrak's per

passenger food service costs may actually be lower than U.S. airlines.

Premium fare passengers expect Amtrak, like other transport operators, to provide food and beverage service as an amenity included in the price of their ticket. While the past decade has seen commercial airlines take extreme measures to cut meal service to their coach passengers, they have committed to recognize that culinary amenities are essential to maintaining competitiveness in the premium market.

Some have proposed that the best solution to the ageless riddle of how do you profit from passenger rail or more specifically, Amtrak's passenger rail food service is outsourcing our work and providing corporate subsidies to those same contractors with no promise of well qualified personnel, a living wage or benefits.

Simply put, it is not fair to Amtrak's onboard service workers or passengers who pay for, expect and deserve safe and reliable service.

When I joined Amtrak, I had no expectation that this job would make me a rich man but it is honest and respectable work with long hours. We earn a fair wage, we get rail retirement pension which is funded solely by contributions from railroads and their employees. It has allowed me to provide for my family, help send my two girls to college and live a middle class life.

I have invested over three decades in this career. I have worked hard, earned a decent living and expect to retire with dignity. I urge you, before eliminating good American jobs, consider that all could be adversely affected or devastated.

Thank you very much for your time.

[Prepared statement of Mr. Bateman follows:]

Testimony of
Dwayne Bateman
Amtrak Food and Beverage Worker

Before
Committee on Oversight and Government Reform
Subcommittee on Government Operations

"Reviewing Alternatives to Amtrak's Annual Losses in Food and Beverage Services"

November 14, 2013

Chairman Mica, Ranking Member Connelly and members of the committee, I thank you and welcome this opportunity to participate in this hearing on Amtrak food and beverage service.

My name is Dwayne Bateman and I am a Lead Service Attendant currently working on Amtrak's Northeast Corridor route between Washington, D.C. and New York City. I am also Vice General Chairman for Unite-HERE Local 43, one of the three unions that represents Amtrak's on-board service workers. I have been an on-board food and beverage worker for over 36 years, working in virtually every position associated with this service including Train Attendant, Service Attendant, Food Specialist, and Lead Service Attendant. During my career I have worked on several Amtrak routes including the Capitol Limited and the Cardinal between Washington, D.C. and Chicago; the Crescent between Washington, D.C. and New Orleans; the Montrealer between Washington, D.C. and Montreal, Quebec; and the Northeast Corridor.

Having worked as an on-board employee for all of these years, I am in a position to shed light on Amtrak's food and beverage services from a worker's vantage point. To begin, I need to point out that comparing Amtrak food and beverage services to a fast food restaurant, such as McDonalds, completely ignores the requirements and responsibilities of on-board service workers. The comparison reveals a lack of understanding concerning the job functions and Amtrak's strict safety standards. I hope this hearing will not continue to rely on these types of faulty comparisons.

Amtrak On-board Service Worker Job Functions

The job duties are unique, demanding, and require training to perform multiple functions, as I described in detail in my written testimony for an August 2, 2012, House Transportation and Infrastructure Committee hearing.

Safety and Security Functions

On-board Amtrak service workers are responsible for the safety of the riding public. They are required to take several training modules that prepare them to respond to a wide range of potential events that may occur on a train, from a derailment, to a medical emergency, to a security breach. Given the railroad environment, emergencies can occur in remote locations that are difficult for emergency responders to access. Fire and rescue personnel cannot always arrive on the scene immediately. This means on-board workers are the first responders in the event of an emergency. Employees are trained in emergency evacuation procedures and in fire suppression. They get Red Cross first aid training, special training to assist passengers with disabilities, and they are trained to handle bomb threats and suspect packages. (Appendix 1 provides a brief summary of safety and security training on-board workers receive.)

Job Functions

On-board workers perform their food and beverage functions aboard a moving train. This is a unique environment. In addition to the safety, security and food and beverage functions, on-board service workers have to be intimately familiar with the design, layout, and safety features in every type of car in the train. In an emergency, they have to open and lower traps, make train-to-train passenger transfers, and direct emergency evacuation.

Work responsibilities include on-board accounting procedures, announcements, signage, service recovery procedures, baggage handling, customer service, and uniform requirements. All of this work is governed by extensive policies, procedures and standards, as illustrated in the Service Standards Manual Table of Contents. (Please refer to Appendix 4.)

They must comply with extensive policies, procedures, and instructions that govern the delivery of food and customer services, many of which require specialized training to perform. They comply with U.S. FDA regulations governing Amtrak food service.

A single shift on the Northeast Corridor usually lasts 12 to 18 hours. On long distance trains, the job functions and environment are even more demanding. During three- to six-day trips, on-board workers generally work 16 hours each day. If a trip lasts one week or more, on-board workers may work as many as 46 hours in a 68-hour window. (In appendix 2, tables 1-3 provide a snapshot of a Lead Service Attendant's workday on the Northeast Corridor. Appendix 3 offers information on a Lead Service Attendant's schedule aboard a long distance train.)

Unlike many workers, on-board employees do not make overtime pay after working eight hours in a day or even 40 hours in a week. It is common for on-board attendants to work 17- or 18-hour days with a minimal crew. But overtime pay kicks in only after they have worked 185 hours in a month. In negotiations, the Service Workers Council has asked Amtrak for overtime pay after 16 hours of work in a day, and Amtrak has said that it could not afford it.

These employees not only work away from their homes, but their schedules are erratic. Up to 20 percent of these employees do not have established rest days and they are subject to call for assignment at any time day or night.

In addition, their hourly rates of pay are designed to cover the many hours for which they receive no compensation whatsoever. A look at schedules for service attendants, as an example, shows that on the Capitol Limited and the Cardinal they are only paid 29 hours 15 minutes per trip, but they are required to spend an additional 21 hours 40 minutes of unpaid time on the trains or at away-from-home terminals—that is, 42 percent of the employee's time is unpaid. On other trains, the percentage of unpaid time is similar.

In negotiations, Amtrak management has preferred to grant incremental wage increases rather than to agree to work rule changes such as overtime pay after 16 hours of work, or payment for more of the time on the job that is currently unpaid. For anyone familiar with these matters to now tell us that those pay rates are excessive is to stand that bargaining history on its head.

In recent years, some reformers have proposed the privatization of food and beverage services. A provision in H.R. 7 would have provided corporate welfare to private contractors while eliminating decent middle class Amtrak jobs like mine. Those sorts of proposals are simply not credible and they do not offer a positive contribution to any effort to improve Amtrak services.

The effort by some members of Congress to justify contracting out food and beverage service on Amtrak ignores these unique working conditions and its trained and specialized on-board workforce. It also ignores the failed attempts to contract out this service in the past.

Amtrak has explored contracting out this service. And some union members have lost their jobs as a result. All of its efforts have either failed to get off the ground or did not generate profits. Amtrak has attempted to contract out the use of food carts on the trains and experimented with installing vending machines. It privatized the commissaries, but profits never poured in. When the states of Maine and North Carolina hired vendors to operate cafe cars on short routes, they were forced to provide subsidies to the private companies even though they hired workers at significantly lower rates of pay. Despite proponents' promises, contracting out does not offer any easy answers.

Amtrak Inspector General Report

Last month, the Amtrak Inspector General released a report on the food and beverage service. The study has some serious flaws. In contrasting our work to on-board services at Alaska Railroad, Rocky Mountaineer, and the Downeaster, the Inspector General made ill-informed and misleading comparisons. None of the services the Inspector General compared to Amtrak's food and beverage service even begin to mirror Amtrak's operations and services.

The Rocky Mountaineer offers scenic railroad service that is marketed to tourists. The schedules are seasonal in nature and get curtailed during the winter months. It does not offer sleeper berths and passengers are apparently expected to sleep in hotels during trips that last more than a single day. Additionally, because the Rocky Mountaineer runs almost exclusively in Canada it operates under a completely different set of legal requirements. Health care costs for employers are dramatically different because of Canada's nationalized system of health care. The pension systems are also different. In the United States, the Railroad Retirement system is privately funded by contributions from employers and employees. Additionally, members of Congress should think twice before embracing the Canadian rail safety regime, which allowed one-person crews and contributed to the tragic accident at Lac-Mégantic, Quebec in which dozens of innocent people were killed by an unattended 74-car runaway train.

Like the Rocky Mountaineer, the Alaska Railroad limits its service during the winter months. Additionally because it does not operate interstate service, the railroad is subject to a different set of transportation, safety, and labor laws. Rail labor supports the Alaska Railroad and its hard working employees, but it does not provide the extensive intercity passenger rail services that make up the national network operated by Amtrak.

The Inspector General also used the Downeaster as a basis of comparison. The Downeaster is a state supported Amtrak route between Boston and Brunswick, Maine. The service is significantly different from most Amtrak routes. The trips are relatively brief, with a one-way trip lasting less than three-and-one-half hours. The Downeaster's food and beverage service was examined in some detail in a 2012 Transportation and Infrastructure Committee hearing, which revealed that even the Downeaster cannot make a profit on its cafe. According to Patricia Quinn, the Executive Director of The Northern New England Passenger Rail Authority, which operates the Downeaster, "The Downeaster achieves the cost and recovery rate of 75 percent in our fiscal year, which runs from July through June. In our fiscal year 2012, our total cafe sales were about \$575,000. Cafe expenses were about \$770,000, which is a net loss of \$195,000."

Downeaster cafe employees do not meet the same wage or safety standards as those on other Amtrak routes. During the hearing, Rep. Nick Rahall's (D-WV) questions to Ms. Patricia Quinn revealed that workers on the Downeaster meet much different safety, training, and work duty criteria.

Mr. RAHALL. What are your food and beverage workers paid? And what kind of benefits do they receive, what sort of training do they receive? And do they receive background checks?

Ms. QUINN. Our food and beverage workers have different job descriptions and duties than the Amtrak LSAs do. They generally are food service workers, and their role and responsibility is to get on the train and manage the cafe. The conductor stays as the person who is in charge of the train. They go through a regular employment review, not necessarily a background check.

Mr. RAHALL. Training?

Ms. QUINN. And training is in food service and the operation of the cafe, but not in the operation of the train. So it is not as extensive as what the Amtrak LSAs receive.

Additionally, in responding to Rep. Corrine Brown's (D-FL) questions, Ms. Quinn said, "You know, our operation is pretty barebones. There are about 15 or 18 employees, food service employees."

Rather than offering faulty comparisons between Amtrak and the three rail services outlined above, the Inspector General should have looked at other national railroads or the aviation sector. Flight attendants on U.S. airlines provide food and beverage service every day. But they are also subject to a strong set of safety standards mandated by the federal government. And, like Amtrak workers, many flight attendants earn middle class salaries.

Without factoring in revenue, the total cost of Amtrak's food service has averaged \$6.95 per passenger since 2008.¹ Over the same period, American, Delta/Northwest, and Continental/United spent an average of \$5.33-\$6.46 per passenger on food service supplies alone, prior to the labor costs of service, which represented over 50 percent of the Amtrak total.

Premium fare passengers expect Amtrak, like any other transport operator, to provide food and beverage service as an amenity included in the price of their tickets. While the past decade has seen commercial airlines take extreme measures to cut meal service to their coach passengers, they have continued to recognize that culinary amenities are essential to maintaining competitiveness in the premium market.

In addition, unlike most commercial airlines, Amtrak has established and maintains a substantial, functioning retail business in on-board food and beverage sales. Based on the proportion of Amtrak's food and beverage revenue that came from cash sales in 2005, sales have likely averaged well over \$2.00 per passenger in recent years.² By comparison, industry reporting suggests average food and beverage sales for commercial airlines were less than \$1.00 per passenger in 2009. In fact, at a 2010 airline industry conference, one consultant used Amtrak's

¹ 2011 constant dollars

² 2011 constant dollars. Assumes 50-60% of total food and beverage revenues are generated through cash sales. (See 2006 National Rail Passenger Association Economic White Paper http://www.narprail.org/cms/images/uploads/whitepaper_food_06.pdf)

in-seat sales program as a model of service and salesmanship for airlines struggling to establish on-board retail operations, describing the Amtrak program as “perfecting an on-board at-seat sales tradition.”³

The unions representing on-board food and service workers are continually working with Amtrak to uphold the highest levels of safety, improve the customer experience, and increase the cost recovery. However, ill informed comparisons from the Inspector General contribute absolutely nothing to this effort.

Conclusion

I have spent my life working for Amtrak with a promise of earning a fair wage and getting a decent Railroad Retirement pension, which is funded solely by contributions from railroads and their employees. When I joined Amtrak, I had no expectation this job would make me a rich man. But it is honest and respectable work with long hours. It allowed me to provide for my family, help send my two girls to college, and live a middle class life. I have invested over three decades into this career. I work hard, earn a decent living and I expect to retire with dignity. I urge you to consider this before eliminating these good American jobs.

Again, I thank you for the opportunity to testify before this committee.

³ *Ideaworks, Inc., “Airline Information Mega Event 2010”*

APPENDIX 1 – SUMMARY OF ON-BOARD WORKER TRAINING REQUIREMENTS
(DOES NOT INCLUDE ALL REQUIRED TRAINING)

Emergency Preparedness Training: We receive training to be prepared to respond to any emergency situation, such as a derailment, service interruption or fire. We are also required to have emergency preparedness training to respond to injuries and illnesses, which includes emergency care that covers CPR and the use of automatic defibrillators. This training is required every two years and we are not permitted to work if our training is not current.

First Aid Training: We receive training to be prepared to respond to an on-board injury or illness of a passenger or co-worker and are governed by first aid procedures.

On-Board Passenger Safety Training: We receive training to be prepared to assist passengers with on-board safety while on the train. We assist passengers with basic but important requirements while on board, such as wearing shoes at all times, not standing in vestibules, no running, using seatbacks and luggage racks for stability, and safe boarding and exit.

Training to Assist Passengers with Disabilities: We receive training to assist passengers with disabilities, both non-wheelchair and wheel-chair assistance, and service animals.

Emergency Evacuation Training: We receive training to evacuate passengers from trains in the event of an emergency, to use emergency on-board equipment and to respond to particular types of accidents, such as train emergencies in tunnels.

Training on Responding Bomb Threats/Unattended Items: We receive training to be prepared to respond in the event of a bomb threat or other terrorist activity, and training to be vigilant for unattended items and how to respond.

Training on FDA Rules and Inspections: We receive training on FDA rules and inspections. We are governed by policies and procedures for the safe handling of food, the inspection and monitoring of food service equipment, including refrigerators and freezers, and safe procedures for supplying coaches with water and refilling storage tanks.

APPENDIX 2 – ON-BOARD WORKER JOB FUNCTIONS

LSA-Café Work Day on Northeast Corridor Pre-Departure Work		Table 1
5:15 AM	Report For Work	(Washington to Boston Trip)
<ul style="list-style-type: none"> * Sign in and receive safety briefing, uniform inspection with possible bank and tool check * Confer with supervisor regarding unusual occurrences, conditions or schedule changes * Check bulletin board for recent operation or service memos * Review manifest to identify business class customers, or if there are groups, special requests * Inventory stock, report shortages, and submit backorders to vendor * Check stock to make sure it is usable, in-date * Complete paperwork * Properly store stock * Inspect equipment and report any defects to mechanical department * Check HVAC, water, doors, lighting, seating, contact surfaces, etc. * Check food service equipment and temperatures of refrigerators and freezers * Verify cash register or POS is installed and functioning properly * Set up credit card machine * Inspect interior of café car for cleanliness and defects * Inspect bathroom for cleanliness/properly stocked * Check wall menus * Check to confirm that the required forms, tools and supplies are on board * Set-up service display on the counter * Set-up bar-back display * Prepare support materials * Fill condiment trays * Make coffee * Greet and assist passengers 		
LSA-Café Work Day on Northeast Corridor En-Route Work		Table 2
7:00 AM Depart on Train No. 2154 – Destination Boston		
<ul style="list-style-type: none"> * Maintain a professional demeanor and appearance * Provide high level customer service * Make required service announcements * Greet and assist passengers * Provide customer information * Prepare and serve food and beverages * Maintain and control inventory * Secure company funds * Monitor refrigeration * Monitor restrooms, clean, re-stock when necessary * Monitor, clean tables and seats when necessary * Continuous observance for unusual, suspicious passenger activity * Continuous monitoring for unattended luggage * Continuous monitoring of luggage racks to ensure luggage properly secured * Continuous monitoring of walkways to ensure no obstructions * Continuous monitoring of trash receptacles and replacement when necessary 		
LSA-Café Work Day on Northeast Corridor End of Trip Work		Table 3
11:30 PM	Arrive on Train No. 2173 - Washington	
<ul style="list-style-type: none"> * Inventory supplies and separate condemnation * Close out cash register * Close out credit card machine * Complete inventory and sales report form (Transfer Out Form) * Reconcile Transfer Out Form and cash register report * Note defects on the mechanical report * Clean work areas 		

APPENDIX 3 – ON-BOARD WORKER JOB FUNCTIONS / LONG DISTANCE

LSA-Café Trip on California Zephyr		Pre Trip Work	Train No. 5
DAY 1			
11:00 AM	Report For Work	(Chicago to California)	
<ul style="list-style-type: none">* Sign in and receive safety briefing, uniform inspection with possible bank and tool check* Confer with supervisor regarding unusual occurrences, conditions or schedule changes* Check bulletin board for recent operation or service memos* Review manifest* Inventory stock, report shortages, and submit back orders to vendor* Check stock to make sure it is usable and in-date* Complete paperwork* Properly store stock* Inspect equipment and report any defects to mechanical department* Check HVAC, water, doors, lighting, seating, contact surfaces, etc.* Check food service equipment and temperatures of refrigerators and freezers* Verify cash register or POS is installed and functioning properly* Set up credit card machine* Inspect interior of café car for cleanliness and defects.* Inspect bathroom for cleanliness/properly stocked* Check wall menus* Check to confirm that the required Forms, tools and supplies are on-board* Set-up service display on the counter* Set-up bar-back display* Prepare support materials* Fill condiment trays* Make coffee			

↓ Trip Continuation (Day 1)

LSA-Café Trip on California Zephyr		En-Route Work	Train No. 5
DAY 1			
2:00 PM Depart on Train No. 5 (On Duty from 11:00 AM – 11:00 PM)		12 Hours on Duty / 6.5 Hours Rest on Train	
<ul style="list-style-type: none">* Maintain a professional demeanor and appearance* Provide high level customer service* Make required service announcements* Greet and assist passengers* Provide customer information* Prepare and serve food and beverages* Maintain and control inventory* Secure company funds* Monitor refrigeration* Monitor restrooms, clean, re-stock when necessary* Monitor, clean tables and seats when necessary* Continuous observance for unusual, suspicious passenger activity* Continuous monitoring for unattended luggage* Continuous monitoring of luggage racks to ensure luggage properly secured* Continuous monitoring of walkways to ensure no obstructions* Continuous monitoring of trash receptacles and replacement when necessary			
<p style="text-align: center;">NOTE</p> <p style="text-align: center;">Job Functions Applicable to All On-Duty Shifts During Trip</p>			

Appendix 3 – Page 2

↓ Trip Continuation (Day 2)

LSA-Café Trip on California Zephyr	En-Route Work	Train No. 5
DAY 2		
Shift Starts at 5:30 AM (On Duty from 5:30 AM – 11:00 PM)	17.5 Hours on Duty / 7 Hours Rest on Train	
NOTE En-route Job functions Continue		

↓ Trip Continuation (Day 3)

LSA-Café Trip on California Zephyr	En-Route Work	Train No. 5
DAY 3		
Shift Starts at 6:00 AM (On Duty from 6:00 AM – 5:00 PM)		11 Hours on Duty / 13 Hours Rest in Hotel
Scheduled Arrival at Destination (Emeryville, CA)		
NOTE En-route Job functions Continue		
LSA-Café Trip on California Zephyr	Post Trip Work	
4:10 PM	Arrive on Train No. 5 – Emeryville, CA	
<ul style="list-style-type: none">* Inventory supplies and separate condemnation* Close out cash register* Close out credit card machine* Complete inventory and sales report form (Transfer Out Form)* Reconcile Transfer Out Form and cash register report* Note defects on the mechanical report* Clean work areas		
Off Duty 5:00 PM		

↓ Trip Continuation (Day 4)

LSA-Café Trip on California Zephyr		Return Trip to Chicago	Train No. 6
DAY 4			
6:00 AM	Report For Duty	(California to Chicago)	
9:10 AM Depart on Train No. 6			
(On Duty from 6:00 AM – 11:00 PM)		17 Hours on Duty / 7 Hours Rest on Train	
NOTE			
Same Pre-Trip Job Functions as Train 5 – Chicago to California			

Appendix 3 – Page 3

↓ Trip Continuation (Day 5)

LSA-Café Trip on California Zephyr	Return Trip to Chicago	Train No. 6
DAY 5		
Shift Starts at 6:00 AM (On Duty from 6:00 AM – 11:00 PM)		
17 Hours on Duty / 7 Hours Rest on Train		
NOTE Same Pre-Trip Job Functions as Train 5 – Chicago to California		

↓ Trip Continuation (Day 6)

LSA-Café Trip on California Zephyr	Enroute Work	Train No. 6
DAY 6		
Shift Starts at 6:00 AM (On Duty from 6:00 AM – 4:00 PM)		
10 Hours on Duty		
Scheduled Arrival at Destination (Emeryville, CA)		
NOTE Enroute Job functions Continue		
LSA-Café Trip on California Zephyr	Post Trip Work	
2:50 PM	Arrive on Train No. 6 – Chicago, IL	
NOTE Same Post trip Work as Train 5 – Chicago to California		
Off Duty 4:00 PM		

Daily Summary-California Zephyr				Trains 5/6
<u>DAY</u>	<u>TIME ON</u>	<u>TIME OFF</u>	<u>COMPENSATED TIME</u>	<u>UNPAID AFH REST</u>
1	11:00 AM	11:00 PM	12 HOURS	6.5 HOURS
2	5:30 AM	11:00 PM	17.5 HOURS	7 HOURS
3	6:00 AM	5:00 PM	11 HOURS	13 HOURS
4	6:00 AM	11:00 PM	17 HOURS	7 HOURS
5	6:00 AM	11:00 PM	17 HOURS	7 HOURS
6	6:00 AM	4:00 PM	10 HOURS	N/A
			<u>COMPENSATED</u>	<u>NON-COMPENSATED</u>
TOTAL HOURS			84 HOURS	40.4

Appendix 3 – Page 4**TRIP SUMMARY FOR CALIFORNIA ZEPHYR – TRAINS 5 & 6**

Total Days Away from Home (AFH):	6 Days
Total Trip Hours:	124.5
Total Compensated Hours	84
Total Uncompensated Hours	40.5
Percentage of Trip (Away from Home & Non-Compensated)	32.5%

OTHER FACTORS:

- Hours may be extended due to delays
- 4 out of the 5 nights, the rest period is short, and on-board a train
- Workers get only one extended rest period (Day 3) in a hotel

APPENDIX 4 - AMTRAK SERVICE STANDARDS MANUAL – TABLE OF CONTENTS

Definitions & Abbreviations

C1	-	<i>Safety & Security</i>
		Section 1: Safety
		Section 2: Passenger Train Emergency Preparedness
		Section 3: Terrorist Activity
C2	-	<i>Injury, Illness and Reporting</i>
C3	-	<i>FDA Rules & Inspections</i>
C4	-	<i>Baggage Handling</i>
C5	-	<i>Uniform & Grooming</i>
C6	-	<i>Crew Functions & Responsibilities</i>
C7	-	<i>Policies & Procedures</i>
C8	-	<i>Accounting</i>
		Section 2: On-Board Service Accounting Procedures
C9	-	<i>Service Recovery</i>
C-10	-	<i>On-Board Announcements and Signage</i>
C-11		<i>Assisting Passengers with Disabilities</i>
C-12	-	<i>Equipment</i>
C-13	-	<i>Phone Numbers</i>
C-14		<i>Assisting Passengers with Disabilities</i>

AMTRAK ON-BOARD FOOD and BEVERAGE WORKERS	
TRAINING	DUTIES
<i>Extensive Safety & Security Training</i>	<i>Wide Range of Responsibilities</i>
■ Emergency Preparedness Training	■ Providing Food & Beverages – including preparing meals, cooking and selling
■ First Aid Training	■ On-Board Accounting Procedures
■ On-Board Passenger Safety Training	■ Announcements and Signage
■ Training to assist Passengers with Disabilities	■ Service Recovery Procedures
■ Training on Responding to Bomb Threats- Unattended Items	■ Baggage Handling
■ Training on FDA Rules & Inspections	■ Extensive Pre-Departure, En-route and End-of-Trip Responsibilities
■ Employee Security Awareness Training	■ Tend to any medical or safety emergency, service disruptions or train failures
■ Block Training-Safety, Security & Customer Service Training	■ Shifts from 12-18 hours, and on Long-Distance trains trips that encompass as much as a week away from home

Mr. MICA. Thank you for your testimony and I thank each of the witnesses.

Let me yield the first five minutes or whatever time he may consume for an opening statement before we get to questions, the Ranking Member, Mr. Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman.

I apologize for being late this morning.

Mr. MICA. I have three hearings at the same time, exactly as the Co-Chair.

Mr. CONNOLLY. There is no human problem that cannot lend itself to a solution with another hearing. I thank the Chairman for his understanding.

Thank you for holding today's hearing which examines Amtrak's food and beverage service operations.

In northern Virginia, which I represent, Amtrak operates one of its signature long distance carriers, the Auto Train, while injecting over \$60 million annually into our local economy. For years, Amtrak supported hundreds of well paying jobs for northern Virginia residents and we are proud of that.

We are also here to discuss an Inspector General report which advocates that Amtrak implement a number of efficiency initiatives to help lower the cost of its food and beverage service. Unfortunately, this hearing is likely to focus on just one of those recommendations, that Amtrak institute a pilot project to eliminate middle class jobs performed by dedicated food and service workers on long distance trains.

I have no doubt that long-time advocates of privatizing or eliminating Amtrak might welcome that recommendation, but I have serious concerns, frankly, with the methodology underlining the controversial privatization proposal.

In arriving at a privatization pilot recommendation, the IG's entire analysis seems to consist of comparing the labor cost of Amtrak's long distance, overnight food and beverage service to the labor costs of just three other train lines, two of which are small, daytime only trains, and a third that is Canadian, replete with a labor force that benefits from Canada's national health care system, a subsidized health care system which we do not have.

Put more simply, the IG compared, I think, apples and oranges to reach a conclusion that I think is of dubious value. It is simply baffling that the IG's report fails to acknowledge that the food and beverage service of the Downeaster, a low wage train that operates during the day between Boston and Maine, operates at a loss.

Since losses in food and beverage service are the main problem supposedly highlighted in the IG's report, failure to acknowledge that the Downeaster's food and beverage losses is quite an oversight creating a false impression that the Downeaster's low wage labor approach to staffing food and beverage service is a profitable alternative to the current system of Amtrak.

The IG does not seem to have considered Amtrak's food and beverage service along the northeast corridor as a comparison in its analysis. Had the IG included in the comparison the labor costs of Amtrak's northeast corridor trains, which are equivalent to the labor costs of its long distance trains, the IG's conclusion about the

advantages of contracting out food and beverage labor in Amtrak's long distance trains might be different.

This, of course, does not even mention that unlike the low wage Downeaster, Amtrak's north east corridor trains are profitable. I am at a loss to understand why these and other significant admissions were not contained in the IG's analysis. Amtrak management has committed to improving efficiency in its food and beverage service and this problem has yet to be made. I know the Chairman will correctly point that out.

With initial reform efforts already yielding positive results, Amtrak has already increased sales revenue from its food and beverage service recently reporting "In inflation-adjusted dollars, Amtrak's food and beverage loss has been cut by \$31 million from \$105 million in fiscal year 2006 to a projected \$74 million in fiscal 2013."

Further, approximately 99 percent of the food and beverage loss is from dining car service in long distance trains that Congress requires Amtrak to operate by law. Cafe car services across the system, on the other hand, essentially break even or make a positive contribution to the bottom line.

To be clear, significant work does remain. The IG has correctly pointed that out. However, Amtrak management achieved real cost reductions in the past five years and I believe they deserve the opportunity to fully implement their five year plan before we start second guessing them.

Furthermore, we must not lose sight of the fact that negative headlines highlighting Amtrak's food and beverage losses from its long distance trains' dining service, nonetheless, overall, business is booming.

For example, in fiscal year 2013, Amtrak sustained steady improvement, achieving a record 31.6 million riders, also representing Amtrak's tenth annual ridership record out of the last 11 years. In addition, Amtrak's long distance routes boasted 4.8 million passengers, the best ridership in the last 20 years.

Closer to home, my constituents certainly contributed to the northeast corridor second best ridership levels in history with 11.4 million passengers traveling between Washington and Boston this year. These impressive accomplishments amount to ticket revenues of \$2.1 billion for this fiscal year, another record for Amtrak.

Clearly American support and reliance on passenger rail is alive and well in the 21st Century. It would be regrettable if we try to retard that progress.

I look forward to hearing from the workforce this morning. Mr. Bateman as a long-time food service worker on Amtrak's long distance route, you have a unique perspective on how the IG's recommendations might impact the food service to the customers and the real world consequences for middle class workers.

I also want to thank all of our witnesses for their presence here today and Mr. Mica, for your ongoing concern about this issue which legitimately needs to be highlighted. I thank you for holding the hearing.

Mr. MICA. Thank you, Mr. Connolly. Thank you for your remarks and analysis of the IG report and your particular take on the situation.

We are going to now switch to questions. I will take the first questions.

I guess it was in October that Amtrak sent out a release about a five year plan to try to eliminate the losses in food services. Mr. Hall, do you have a copy of that plan you could provide to the committee?

Mr. HALL. Mr. Chairman, I do not have a copy of the plan with me, but we are still in development of the plan. In my opening statement, I talked about the six major principles that plan will envelope.

Mr. MICA. When would you anticipate we will have an affirmed plan to deal with and your goal of trying to dramatically reduce or eliminate the subsidy, by the end of the year, January, February?

Mr. HALL. The plan is still being developed right now. We are assigning accountabilities for certain functions under the plan that I spoke of. We are putting together a team and working with our newly developed business lines as well to incorporate that plan. We should have something available shortly after the first of the year.

Mr. MICA. We heard Mr. Bateman talk about his service and we respect that service. We want to make certain that Amtrak employees are adequately compensated and if we do eliminate routes or positions, we also have labor agreements that need to be adhered to. Would that be your assumption also, Mr. Hall?

Mr. HALL. We do have labor agreements with all of our union employees, yes.

Mr. MICA. I know if you eliminate some routes, some of the old labor contracts I think gave sort a five year payment and also pension benefits. I think some of the newer hires get a three year payout if you eliminate routes. Does that hold true if you eliminate these positions? Are they compensated?

It appears that something is going to have to be done on the employee side if you go to vendors or vending machines or another contractor. What happens to the employees?

Mr. HALL. Mr. Chairman, I would be more than happy to check with our labor relations department and get back to the committee with those specifics.

Mr. MICA. I would like to know because we want to make certain that those commitments are kept. They have a cost too. If you buy someone out with a three or five year contract plus their benefits, I think that it is very important we ensure those commitments are kept.

Can you get back to the committee and let me know how they are affected and what the potential cost is because labor is one of your big things?

Mr. Bateman, in your testimony you mentioned the safety training you receive and it was in the Inspector General's report also. Amtrak employees receive an initial 21 hours of training in safety and emergency preparedness. After that, they must complete 8 hours every two years?

Mr. BATEMAN. Yes, sir.

Mr. MICA. We mentioned the Canadian comparison. In contrast, the Canadian passenger railroad employees receive 24 hours of emergency training annually. It does not seem you get the same amount of training.

Mr. BATEMAN. If I may, sir, actually we are trained in CPR every two years but emergency preparedness is an annual eight hour class.

Mr. MICA. They get 24?

Mr. BATEMAN. Yes.

Mr. MICA. I thought I would include that for the record.

The credit card issue, every time we hold these hearings, whether it is Transportation or other committees, we are still in a pilot, we do not have that complete for a cashless system with food service, Mr. Hall?

Mr. HALL. We did implement onboard credit card transactions in 2006 shortly after the House committee.

Mr. MICA. Food service is not complete?

Mr. HALL. That is for food service. We do have onboard credit card availability. We are in the final stages right now of piloting a point-of-sale system onboard our trains. The fully integrated model, scheduled for delivery from the vendor at the conclusion of this year, will have the integrated credit card functionality.

Mr. MICA. For all food service on Amtrak?

Mr. HALL. That will be in our lounge car operations. At that time, we can pilot the cashless sales.

Mr. MICA. Again, you are telling me it is partial? It is not complete for food service or planned to be complete?

Mr. HALL. The POS system is applicable to our lounge and cafe car services. Our dining car services require a different service model and there is a different technology solution for those.

Mr. MICA. Someone came to me and said they can pay for their vegetables at the weekend market with their credit card. This goes on for year after year and we still do not have this implemented. I do not want to get into the details of some of the losses we have experienced in the past. Again, I just do not think that is acceptable, either not having a written five year plan at this juncture or a plan for implementation to deal with credit card purchases.

The big losses are on the long distance services, correct, Mr. Hall, for food service?

Mr. HALL. That is correct.

Mr. MICA. Most of those are served meals. We looked at some menus. You had this gourmet chef's conclave. I do not think you pay those chefs but have you been able to provide either our committee or the Transportation Committee with information about the cost of those conclaves?

Mr. HALL. I believe that we have, sir.

Mr. MICA. How much is that?

Mr. HALL. I believe in the last year, the total expense Amtrak bore for the Amtrak culinary advisory team was approximately \$49,000.

Mr. MICA. We also looked again at the supposed reductions in losses. From 2006 to 2012, you reported a \$33 million reduction in losses. It appears from the Inspector General report that you have actually just transferred money from some tickets to the food and service account. That accounts for about 66 percent of the change in the losses. We are going from one set of losses to another set of losses. Is that what is happening, Mr. Hall?

Mr. HALL. I think Mr. Alves might want to comment, that was in his report.

Mr. MICA. Okay.

Mr. ALVES. We reported an increase in revenue and a reduction in costs. A significant amount of the increase in revenue came from higher volumes as opposed to a change in the accounting process. One change in the accounting process was on the northeast corridor where during that time Amtrak made an adjustment in how food and beverage is priced in the northeast corridor.

The most significant cost reduction, as I recall, is re-awarding the commissary contract that reduced costs by about \$4.5 million in spite of a significant increase in volume. That was a real cost reduction. A significant portion of the revenue is real revenue increases.

Mr. MICA. Again, it says here \$22.1 million increased transfers from ticket revenues. Most of that difference between \$22 million and \$32 million is from transfers in tickets. They have included some costs for meals but again, with the overall loss, every ticket on Amtrak, the more tickets we sell, we are up to 31 million passengers. Every ticket is subsidized with a federal subsidy of \$1.3 billion. Do the math and that is nearly \$40.

We are losing money on the tickets. The Sunset Unlimited, which we used as an example, loses \$404 per ticket. Within that we you have \$55 loss for food service.

Mr. ALVES. Increased revenue does not equate to a profit.

Mr. MICA. Mr. Meadows is gone, but he said if you are selling the watermelons at a loss, if you continue that, you expand your loss.

Mr. Connolly, we will go to you now.

Mr. CONNOLLY. Thank you, Mr. Chairman.

You just touched on a fascinating subject. Mr. Alves, I have to go easy on you. You are a fellow Bostonian and you like the Red Sox. You are a brilliant man.

Mr. ALVES. Thank you. I appreciate that.

Mr. CONNOLLY. Talking about subsidies, does Canada subsidize its rail service?

Mr. ALVES. I do not know that.

Mr. CONNOLLY. Do you have a pretty good guess?

Mr. ALVES. I would not be surprised.

Mr. CONNOLLY. Are you aware of any major industrialized country that does not subsidize its rail service?

Mr. ALVES. No, I am not. I think there is something in Japan that I have heard. The subsidy is both operating and infrastructure as well.

Mr. CONNOLLY. I have taken the bullet train from Tokyo to the south of Japan. I am pretty sure it is subsidized. I have taken the Gran-V in Europe. It is subsidized. By the way, it has wonderful service as a result, great food service. It is a great way to go from Paris to Brussels or vice versa. It is all subsidized.

If we talk about whether you can make a train services viable without a subsidy, all viable train services, major train services in industrialized countries, require subsidies to be viable. There are other forms of transportation which my good friend, Mr. Mica, is aware of. If we want to talk about subsidies for Amtrak, maybe we

could talk about subsidies for rural airports in America and look at how viable that is. If you want to look at a ticket subsidy, it makes this pale by comparison. It really does depend on what we are talking about. We cannot only talk about this stuff out of context.

Could you answer the concern I raised? When you talked about the Downeaster, in your report you failed to mention that it operates at a loss. Why that oversight?

Mr. ALVES. I think we properly qualified our report in addressing those issues. We said there is not a direct comparison of those examples to Amtrak but there are similarities. The similarity on the Downeaster is that it is a cafe car. Amtrak runs cafe cars on long distance routes and in the northeast corridor.

Mr. CONNOLLY. Wouldn't it have been useful for someone to understand in full disclosure that you are citing it as an example and that it operates at a loss?

Mr. ALVES. We could have included that. We didn't think it was relevant. I think the reason is that the difference in cost is still there. It is an order of magnitude difference in cost.

Mr. CONNOLLY. I understand your reasoning. I would respectfully suggest though since the subject is operating at a profit, operating at a loss, how much of a loss, how much loss is desirable, what are some models we can look to. I think it would have been a useful thing for the IG's report in full disclosure to point out that when looking at that particular alternative, it also operates at a loss.

Mr. Bateman, you made a point about comparing sort of the intensive labor effort in long distance carrying more to the airlines really than a short haul on the East Coast or somewhere. You talked about a six day commitment and turn around and actually very labor intensive long hours when you are on the train because you cannot get off. You have to be serving the customers.

How important do you think food service is in long distance trips like that for the service to continue to attract customers?

Mr. BATEMAN. I think it is critical. I cannot imagine someone riding on the train overnight with vending machines and that sort of thing. I do not think it would be feasible.

Mr. Alves talked about the Downeaster service, comparing it to our service. Cafe car to cafe car, our cafe cars are making money. The Downeaster does not operate at a profit. If you compared the Downeaster to a dining car, of course it is an unfair comparison, again apples and oranges.

Mr. CONNOLLY. Good point.

Mr. Worley, you talked about the North Carolina experience, I took to heart what you said. You had a very important caveat which was we cannot approach this as one size fits all.

Mr. WORLEY. Yes, sir, you are correct. One of the notes I will make is we have it on both sides with the Carolinian being 704 miles, so we do experience with the food service on the Carolinian, there is a loss. That is a loss billed to us loss to us from Amtrak that the States have to pick up. We feel that and see the need to really look at some good options there.

Mr. CONNOLLY. Thank you.

Mr. Howell, you represent Smithsonian. Do you ride Amtrak?

Mr. HOWELL. I have ridden Amtrak, yes.

Mr. CONNOLLY. Is it your view by virtue of your testimony and your being here that you think Amtrak could emulate Smithsonian's outsourcing of food services, that it is a good model for them to look at?

Mr. HOWELL. I am not really someone who can judge that from the complexity of their business compared to what I have to run. I think the transportation business is quite different than what I am involved in.

Mr. CONNOLLY. So I should not construe your presence here to mean anything other than the Smithsonian is a wonderful institution that has some interesting food services and you thought we would want to know about them?

Mr. HOWELL. I would agree with you.

Mr. CONNOLLY. Thank you very much. That is very important.

Mr. Hall, you would agree, that they are different services and while there might be something to be learned from the Smithsonian's experience, it is not a model for a transportation system like Amtrak as Mr. Howell just said?

Mr. HALL. I do not believe it is a viable model, a brick and mortar establishment versus the services onboard a train. They are quite different.

Mr. CONNOLLY. I read in my opening statement some extraordinary statistics. My good friend, Mr. Mica, has chaired the Transportation Committee. I had wanted to be on the Transportation Committee but I did not get appointed to it so I had to do a bit of homework on Amtrak coming here.

I was surprised by record revenue. To what do you ascribe the seeming success in the numbers of Amtrak? Why are we hitting records in ridership volume and in some cases, revenue?

Mr. HALL. Rail is increasingly popular, it is economical, it is environmentally friendly and it is something consumers are actively pursuing at this time, especially many of the younger consumers.

Mr. CONNOLLY. How important is the quality of food service, from your point of view, to maintaining those record numbers?

Mr. HALL. We have done some research on that. For instance, on our long distance services, if we were to eliminate the dining car service and keep a lounge car type operation on those trains, we would lose \$93 million in ticket revenue. Those passengers value this amenity, they value it greatly.

Mr. CONNOLLY. Sometimes in business we have a concept called loss leader. Sometimes you have to have a loss leader in order to get the wider customer revenue. You may or may not break even on the particular food service, but it is essential if you are going to maintain the ridership is essentially what you are telling us?

Mr. HALL. Absolutely. We actually saw that on our Acela express service in 2005 where we significantly reduced the food and beverage services. We eliminated our hot entrees which are very popular with our passengers and replaced them with basically a basket of a very nice gourmet sandwich, chips and water and the erosion in ridership, the defection from first class to business class was so significant that the loss in ticket revenue far outweighed the savings we made in reduced food and beverage offerings.

Mr. CONNOLLY. You have to look at that.

Mr. Alves, I assume the IG recognizes that relationship as well?

Mr. ALVES. Yes, we do.

Mr. CONNOLLY. My final question follows up on what Mr. Mica was getting at which is there is still progress to be made obviously in the cost of food service and in making it easier for customers to access that food service like credit cards.

I want to give you the opportunity, Mr. Hall, to bring us up to date on what is ahead in terms of progress in terms of what we can look forward to?

Mr. HALL. Many of the items that Mr. Alves and the OIG brought up in the report are the actions we are taking, those incremental improvements to food and beverage. As far as the onboard logistics, optimizing our product development and supply chain, implementing additional technologies, we are looking at certain areas in labor where we can optimize the workforce, where we can use it more efficiently, where we can manage that workforce effectively to the demand on that train.

If I can clarify, we do accept credit cards on all of our trains for our food service. We simply have not implemented a cashless pilot because the existing technology and POS did not allow that at this time. When we receive final delivery of the fully integrated solution, we can pilot cashless. We do accept credit cards on all of our food service cars nationwide.

Mr. CONNOLLY. You are moving toward a cashless system?

Mr. HALL. That is correct, sir. We hope to implement or pilot that shortly after the beginning of next year.

Mr. CONNOLLY. You will make my young staff happy. I still use cash.

Thank you so much, Mr. Chairman. Thank you to all of you.

Mr. MICA. Mr. Cummings?

Mr. CUMMINGS. I want to thank all of you for being here today.

One of my concerns is always the worker, the people who live in my district, are the people who clean the trains. They are the ones who take care of folks' beds in hotels. We have gotten so far away and spend so much time making sure business makes big money that the worker is making less and less and less.

There is something about quality of life that concerns me. That leads me to you, Mr. Bateman. Among many cost saving measures recommended by the Inspector General or a critical one is a pilot initiative to test the privatization of Amtrak's food and beverage service.

As a 36-year Amtrak worker, what effect would privatization have on you, your employment and the livelihood of Amtrak food service workers? Can you tell us a little bit about these workers, typical education, whatever?

Mr. BATEMAN. For the most part, people do these jobs because they want to take care of their families. This is a very arduous job. No one would do this without having someone behind you that you are responsible for. The hours are grueling, the days are very long.

A typical employee, I guess, has an average high school diploma. We have some adults who have PhD's. There are different levels of education.

As far as the effect of contracting out, I think it would significantly lower our wages, maybe in half. I cannot see anyone surviving, especially in this area, on \$12.50 an hour.

Mr. CUMMINGS. What about insurance? Do they have insurance now?

Mr. BATEMAN. We have insurance now but I do not see that happening if we have a contractor or if it is contracted out. I do not see insurance being a part of the package.

Mr. CUMMINGS. Inspector General, did you consider insurance when you went through your analysis?

Mr. ALVES. Yes, we did. We considered the benefits provided both to Amtrak and the contractors.

Mr. CUMMINGS. So often what we have seen in the past, I know we have the Affordable Care Act which the Republicans are trying to destroy, we have that but the fact is I have noticed a lot of times workers doing these jobs either have no insurance, when they contract out, that is. When contracted out, they have pitiful insurance, if any.

My father, a former share cropper with a second grade education, used to say somebody's going to pay. The question is who pays here? If we contract out, what I have seen is that the contractor makes lots of money and the employee makes less money and less benefits.

As a matter of fact, my mother-in-law was working for the Federal Government. She was sitting beside somebody who was making far less with less benefits doing the same job by the way but they worked for the contractor.

Tell me about your analysis and the worker, the nuts and bolts person.

Mr. ALVES. We did compare wages and benefits. You are right that in the private sector, there are very few benefits. A couple had no benefits, they got the salaries.

Mr. CUMMINGS. You are talking about contractors?

Mr. ALVES. The contractors get no benefits. Your point is completely valid.

Mr. CUMMINGS. When we look at this, Mr. Alves, have you compared the labor costs on Amtrak with those on commuter railroads in the United States that provide intercity passenger service whose employees generally view their employment as a career rather than a seasonal occupation such as a Long Island Railroad or the Metro North? If you did not, why didn't you, but did you?

Mr. ALVES. No, we did not. We were looking specifically at an alternative to contracting out and within that, specifically at the differences in labor costs.

Mr. CUMMINGS. Should we rely on the comparison of the three trains in your report as the sole basis for eliminating good paying jobs? Did I hear you right, Mr. Bateman, when you said your folks are making a profit and the Downeaster, you said, is not making a profit? You did not say that, did you?

Mr. BATEMAN. Actually, he compared the Downeaster to our dining cars, not the Downeaster, which is a cafe car service to our cafe cars. Cafe car to cafe car, as I testified earlier, we make a profit or break even. The Downeaster, from my understanding of the data I have seen, is not making a profit. They are paying \$10 a hour, so I do not see where the benefit is.

Mr. CUMMINGS. Mr. Alves?

Mr. ALVES. I would like to respond to where you are going in your questioning, whether this is the sole basis for deciding to contract out. I think we were very clear in the report and I would like to clarify it right now that we don't consider that to be the sole basis. We consider it to be an indicator that should be looked at carefully.

We identified a number of things that continue to be uncertain, including the safety role, the applicability of some of the benefits, railroad retirement, FMLA benefits, and the impact on the workforce. Amtrak is a long term employer, has a long term relationship with these employees. All of that needs to be considered.

I would add one other factor which is that we think it is very important that Amtrak address the inefficiencies that exist in the food and beverage service. We identified six of those. We think that is a sample rather than the complete amount of inefficiency. We suggest, based on best practices, that Amtrak address those before it decides to contract out.

Mr. CUMMINGS. Last but not least, Mr. Hall, I take it you want a chance to do the things they recommended? Do you disagree with them or what?

Mr. HALL. Absolutely.

Mr. CUMMINGS. How long have you known about these recommendations?

Mr. BATEMAN. I believe the report was issued at the end of October. All of the recommendations that are in the report for incremental improvement are included in our plan, plus additional incremental improvements that Amtrak already has underway.

Mr. CUMMINGS. You are trying to execute?

Mr. BATEMAN. We are trying to execute those.

Mr. CUMMINGS. What is stopping you?

Mr. BATEMAN. To do the incremental improvements, nothing is stopping us. We are actively engaged and we have worked ongoing. We have just completed our reorganization of the company and I am actively engaged with our business line general managers in addressing the food and beverage laws.

Mr. CUMMINGS. Do you have a timetable?

Mr. BATEMAN. In the next five years, sir.

Mr. CUMMINGS. The only reason I asked that, Mr. Chairman, is one of the things I have noticed is a lot of the times if you do not set a timetable and deadlines, nothing happens or it does not happen timely. If you have a timetable, I would like to see it. If you could get that to us, I would appreciate it.

Thank you, Mr. Chairman.

Mr. CONNOLLY. Would my friend yield?

Mr. CUMMINGS. Of course.

Mr. CONNOLLY. For clarification, Mr. Hall, in response to the distinguished Ranking Member's question about do you embrace the recommendations of the IG report, I want to give you the opportunity to be accurate. I assume you do not embrace the recommendation about a pilot project to eliminate food service on long distance trains?

Mr. HALL. We do not agree to eliminating food service.

Mr. CONNOLLY. I just wanted to make that very clear.

Thank you, Mr. Hall. Thank you, Mr. Cummings.

Mr. CUMMINGS. I yield back.

Mr. MICA. We will go to another quick round.

First of all, Mr. Howell, you are a government operation. I guess you come under the jurisdiction of our committee. You do provide food service. Does that food service turn a profit?

Mr. HOWELL. It does.

Mr. MICA. How much?

Mr. BATEMAN. In fiscal year 2013, \$9 million.

Mr. MICA. How many visitors did you have?

Mr. BATEMAN. We served what we call coverers, which would have been more than visitors, but about 6 million people.

Mr. MICA. I brought him here because they are under our jurisdiction, the committee specifically our subcommittee. They do provide this service, do a great job and turn a profit, not that it is exactly comparable to a transportation food service.

Mr. Worley, you were losing more money and are losing less money, is that right?

Mr. WORLEY. Yes, sir, that is correct.

Mr. MICA. I brought you here because you have had a loss problem that is State subsidized. The State is picking up the subsidy. How much is North Carolina's indebtedness, do you know?

Mr. WORLEY. We have a balanced budget and a constitutional amendment.

Mr. MICA. We have a slight difference. We are at \$17 trillion and going upward.

I am the strongest advocate for passenger rail in the United States Congress. There is no one who will compare with me. I want to expand it. I think we are in the Neanderthal stage as far as the country.

As far as employment, I have always guaranteed labor people their benefits, anything that is committed to them and maintaining that even in future service. For example, you said you increased your ridership from 40,000 to what? It was three hundred and some percent. Was it 40,000 to 170,000 or something?

Mr. WORLEY. Yes, sir.

Mr. MICA. Did that require hiring any additional employees to service that many people?

Mr. WORLEY. No, sir.

Mr. MICA. Did you diminish anybody's wages or benefits?

Mr. WORLEY. No, sir.

Mr. MICA. But the State picked up the difference and the losses. I have no problem with subsidizing transportation at reasonable subsidization but always at the lowest cost to the taxpayer, which you are trying to achieve, correct?

Mr. WORLEY. Yes, sir, that is correct.

Mr. MICA. The reason we did this is I did not ask for this report. I asked for a lot of tough reports but this was produced and you actually produced, in your report, some ways they could save money, right?

Mr. WORLEY. Yes.

Mr. MICA. One of those is assigning costs appropriately, getting the money in. Overall, I would like to reduce the loss on some of these routes. I do not think that is an unreasonable request.

You gave me your priorities. You did not come to the committee with a written plan. It was October when you said you had a plan. There is not a written plan. You had an outline of some things.

Your second point is labor optimization. That is also in your report. There may be some reduction in some number of employees when you optimize that. That might happen. Inspector General?

Mr. ALVES. That is a possibility, yes.

Mr. MICA. It is a possibility. Mr. Bateman, you came here as a strong advocate of having worked a long time and paid your dues and all, and speaking on behalf of those who are employed. I asked the question what would happen if we lose some of these people. Mr. Hall cannot answer. That is not acceptable. A representative from Amtrak needs to know how the policies they propose or advocate for making changes will affect their employees.

I think that is very important and I want you to get back with the committee. I want to know how these employees are going to be affected. Again, I have always made that commitment to labor and will continue that, even as we make the transition. If some positions have to be eliminated, consolidated or whatever, I need to know the impact of that.

I said we are falling further behind. Yes, there are transportation systems in rail that make money. Virgin Rail, for nearly ten years when they privatized some of the rail in England went from a \$300 million a year subsidy by the UK to \$100 million profit. The European Union has an edict that by 2015, the passenger rail in Europe, the state operations, must also compete.

Italy had already had one open competition. Ferrari took a line and makes money on operations. I would include that to also be food service. While the government has had to subsidize in Germany, Japan and other areas, the infrastructure, I strongly support that. Shame on us for the northeast corridor and the shape it is in. We should be investing in that.

We should have two hour service between here and New York or less and we should have triple the number of employees working there at your union rates with those benefits. It is a shame that we do not do that. We would also un-congest our air corridors in the northeast corridor by doing that and catch up with the rest of the world I just heard that Rendell and some others are putting together a group. I would like to poll those folks and find out what they are proposing to see about getting that service going. Private-public partnerships can work and we can increase employment.

The biggest carrier is not the airlines. They only carry about 700–800 million passengers a year. It is actually long distance bus service. We do not subsidize one meal on that. Some of those are long routes. They are on the Stock Exchange and make money. They move more people in this country at very reasonable rates. Please do not tell me you cannot do it, not that buses are rail and all of that. Those are a couple of points I wanted to make.

The other thing is I see some news reports, I did not cover it and I am not picking on you as much as some of these guys. In your report, there are the complementary items on the Auto Train. That service is into my district by \$260,000 in complementary wine, cheese and champagne.

For me to tell people when they are spending their hard-earned dollars that we are getting them further in debt and borrowing 43 cents on a dollar, somehow, some of this has to be revised. The purpose of this hearing is to look at where we can cut costs, do a better job and bring that down.

I held hearings back some years and you cited those. We were losing \$100 million a year. In 2012, it was \$70 million. I want to see that number come down. I think you have some good recommendations we will help you implement.

I do also want to see the six major proposals for reducing the cost in your plan presented to the committee as soon as possible. You are going to do that, Mr. Hall?

Mr. HALL. Yes.

Mr. MICA. Any estimate of when you can get it to us?

Mr. HALL. I believe I said shortly after the first of the year. It is going to be a dynamic plan. It is in development.

Mr. MICA. I will give you until the end of February and then we will do another hearing.

Mr. CUMMINGS. Will the Chairman yield?

Mr. MICA. Yes.

Mr. CUMMINGS. I have one question. Mr. Chairman, you said something a moment ago I was just wondering about. You were saying that the bus services are doing extremely well. I am just trying to see what the comparison is. It has been a while since I rode a bus a long distance.

Mr. MICA. Maybe you were not here when we were talking about transportation services making money, so I cited four rails I know of with a subsidization of infrastructure. In the past, they subsidized operations but there has been a turnaround.

Mr. CUMMINGS. I thought you were aiming at food services. I am sorry.

Mr. MICA. No, but again you can make the comparison. Some of them may sell something now on Mega Buses and others which have taken over huge markets. I have been on a couple of those. They go more to the vending service model.

Mr. CUMMINGS. Do you do that often, Mr. Chairman?

Mr. MICA. You would be surprised. I am probably one of the few members that sometimes in and takes the bus, Route 41, home. Of late, I have announced some grants from the back of the bus, a great experience. I just held a big transportation conference or participated in one in central Florida advocating expansion of mass transit. With about 400 people in the audience, I asked how many came by public transportation. I think maybe two or three raised their hands.

That is another thing we have advocated, working with rail to connect with bus. For 15 damned years, they told me we could not do it at Union Station. We did it in 15 months because passengers who ride rail or bus should not be second class citizens and have to drag their luggage down the street in rain, sleet, cold or heat and not have an inter-modal facility that is taxpayer supported. We helped put a lot of money in that place.

You go there and I will give you a dozen other locations across the country where we are now bringing people together. People in this country will use mass transit if it is accessible and convenient.

If you have them sit at a bus or train stop, an overturned shopping cart or inconvenienced and not having access, they will not use it.

Again, I try to offer positive solutions and I think working together we can do that. This is important. We are in a very serious financial situation. While I bust your chops sometimes, it is meant to improve the service because we can and we must do better.

Mr. Connolly?

Mr. CONNOLLY. Mr. Chairman, first of all, let me, for the record, thank you for your support for transit. My region, northern Virginia, has been a beneficiary of your support for the Silver Line extension of rail to Dulles. I personally am deeply appreciative and was before I even came to Congress. Your advocacy is something very important. It is so great to hear you talk about trying to make investments in the northeast corridor so it looks like a 21st Century rail system instead of what it is.

I agree with you. Concerning the goal on our train ride to New York, I would never fly again to New York if we could do that. I wish we would and could. I would happily join you any time you would like and attempt to make those investments happen because I think they are very critical. I think they would be very important for the competitive posture, frankly, of this country.

I was just in Taiwan two years ago. I have been there many, many times and I was stunned at the bullet train it built and it did not take 50 years to do it. Your point about subsidies is well taken. I was only trying to make the point that for most large transit and rail systems, subsidies are a very commonplace thing in Asia, Europe and here in North America.

You are quite right, the principle should be, let us try to get the subsidy down to the lowest possible level we can so that we are maximizing benefit. Per se, a subsidy does not indicate something good or bad.

Let me ask you, Mr. Hall, talk to us about your federal funding. What has happened to Amtrak federal funding in the last three or four years?

Mr. HALL. The amount of federal funding for our operations, our operating budget, has been reduced year over year. I do not have those exact numbers with me. I would not be qualified to speak to that.

Mr. CONNOLLY. Mr. Alves, do you know those figures?

Mr. ALVES. I do know that the operating subsidy has been going down but I do not have them either.

Mr. CONNOLLY. Dramatic or modest?

Mr. ALVES. Reasonably well. I would not say dramatic.

Mr. CONNOLLY. Somewhere in between maybe? Not trivial though?

Mr. ALVES. Reasonable, yes.

Mr. CONNOLLY. We listened to Mr. Worley talk about subsidies in North Carolina going down, but profit and ridership going up, is that correct?

Mr. WORLEY. Actually, with the 209 that we are going through, while our ridership has gone up and our revenues are going up, more cost is being allocated to the States.

Mr. CONNOLLY. So they are paying a little bit more?

Mr. WORLEY. Yes, sir, we are having to pay more.

Mr. CONNOLLY. I would only point out that as Amtrak subsidies are going down, they have also managed to have increases in ridership, in fact, record ridership, and increases in revenue, in fact, record revenue, is that correct?

Mr. HALL. That is correct, sir.

Mr. CONNOLLY. So they are doing their bit too.

This is something the Chairman and I have in common. I was late this morning because I had to go to a meeting to celebrate a transit victory which is the Phase I of rail to Dulles is going to be opening in about a month. It is an interesting lesson.

When we built Metro here in metropolitan Washington, the federal posture in financing that capital construction was 80 percent, the localities had to pick up 20 percent but the Federal Government paid for 80 percent. We built a 108 mile system.

For the Silver Line extension, which is I think the largest transit extension in the United States, from Falls Church to Dulles Airport about a 22-mile extension, the federal participation will not be 80 percent but 16 percent. What are the consequences of that when the Federal Government shrinks from its responsibilities?

We are not talking about North Carolina here; we are talking about the Nation's Capital. We are talking about the premiere airport of the Nation's Capital, designated by the Federal Government as such. What other industrialized capital in the world would say, if you think a rail link between your premiere airport and the capital city is a good idea, figure out to pay for it. We are not going to pay for it.

That is how they built the rail line from Charles DeGaulle to Paris or from Norita to Tokyo or London to Heathrow. I could go on and on. Of course not but we put the burden on the local government to finance this construction project. No wonder it took so long.

It has been from the conception of an idea, I am just spitballing here, maybe we need a rail link to this empty airport called Dulles and the capital city. That idea first germinated in 1962. We are now 52 years later and we are opening phase one. It has been a real challenge.

What are the consequences of that retreat from federal responsibility in terms of investments? We are going to lose a competitive edge with lots of other places on this planet who are willing to make those kinds of investments.

I take away from this hearing that we need to be as efficient as we can. Where we can be more efficient, where we can identify more savings, where some subsidies are perhaps no longer justified, great. I know the Chairman shares this philosophy. We must not retreat from critical infrastructure investments if America is going to be competitive for the future.

In many ways, Amtrak in the northeast corridor and rail right here in the metropolitan area, especially Dulles Airport, are great case studies of how to do it or how not to do it in terms of the choices presented to us.

I thank you all for being here today. I thank the Chairman for having this hearing. It is quite thought provoking. I know we will revisit the issue in due time. I want to also thank Mr. Cummings

for his thoughtful participation and his leadership on this committee.

Mr. MICA. I thank the gentleman. Probably in February.

Mr. Cummings?

Mr. CUMMINGS. I will be very brief.

I also want to thank all of you.

Mr. Hall, in 2006 you had food and beverage losses of \$105 million, right?

Mr. HALL. That is correct, sir.

Mr. CUMMINGS. Why was that? That was a lot of money.

Mr. HALL. The losses in 2006?

Mr. CUMMINGS. Yes.

Mr. BATEMAN. The revenues were not meeting the targets at that time. We had not yet taken a lot of action to optimize the system.

Mr. CUMMINGS. What is it now?

Mr. HALL. The loss in fiscal year 2012 was \$72 million.

Mr. CUMMINGS. How did you make that reduction? You have to do better than that but I am just curious.

Mr. HALL. We took a number of incremental actions. At the time, we had already outsourced our commissary operations. We renegotiated the contract with that vendor. Subsequently, we re-bid that contract competitively on the open market. We optimized our supply chain and product development. We brought in more consumer relevant products. We significantly increased our revenues that we brought in per passenger.

Each one of those steps, a number of individual steps you take, reduced the loss.

Mr. CUMMINGS. Do you have a situation where you get employee suggestions as to how to do business more effectively and efficiently? A lot of companies have that.

Mr. HALL. We do. In fact, right now as the Chief of Customer Service, I am sponsoring focus groups and employee research on our customer service programs. We are partnering with our labor leaders in addressing the food and beverage loss as well.

Mr. CUMMINGS. Mr. Bateman, I think everyone understands that you want Amtrak to do well. You do not want to see them losing money every year. If the workers union sat down and said, look, Amtrak, this is what we see you could be doing better, more efficiently and effectively so that we could have a win-win situation, what would you tell them? I am just curious. Have you told them whatever you are getting ready to tell me?

Mr. BATEMAN. First of all, no one is talking about the progress we have made. When I first came to this company, Amtrak was only probably recouping about 55 cents on a dollar back in the early 1970s and 1980s. Right now, they are getting back about 85 cents on a dollar as far as their investment.

As far as food service back in those days, 35 years ago, all our efforts to bring down the costs and control waste, I think we have made a lot of progress in that area.

As far as suggestions, first of all, I think we need more supervision on the train. As far as direct supervision, with their budget cuts, they had to cut back a lot of direct supervision. I think it would really help cut our costs if we had more direct supervision on trains.

Mr. CUMMINGS. What impact would that have, I am just curious, direct supervision?

Mr. BATEMAN. It would free the crews to focus more on customer service. As far as customer complaints, if you had a supervisor, he could handle a lot of issues that take the crews away from their duties sometimes. They could focus on providing service as opposed to being distracted to deal with a lot of complaints and that sort of thing on the train.

Mr. CUMMINGS. Did you have any other suggestions?

Mr. BATEMAN. A small suggestion is we need to be more paperless on a lot of levels. We waste a lot of paper. Every day you come to work, you with all kinds of different sheets of paper as opposed to verbally telling you things. Each day an employee comes to work, he gets three sheets of paper: one for safety rules, one for FDA violations and one for customer service tips. As opposed to giving every employee every day that type of paper, they should just verbalize it to the employee and enforce it that way.

Also, I think we need to stop changing our schedules so much. We spend a lot of money every year on schedules. I do not know how many dollars they spend by changing schedules every six months. My understanding is that Europe doesn't change their schedules quite so often. They have a basic schedule that stays the same.

Each time you change our schedule by two or three minutes here and there, it costs millions of dollars producing schedules throughout the entire system. I think that would save a little bit.

Mr. CUMMINGS. Were you listening, Mr. Hall?

Mr. HALL. Yes, sir, I was.

Mr. CUMMINGS. Again, I want to thank all of you for being here today. We still have work to do. I would be interested to see that timetable, Mr. Hall, at the end of February. I think that is what we agreed on. Is that what you agreed on, Mr. Chairman, the end of February for that timetable?

Mr. MICA. I am hoping they will submit a plan that is acceptable and shows a path forward. If we have to do the hearing, we will do the hearing and look at it. I like to do roundtables where we sit down and see how we can work with them to get things done. Again, the only way you get things done around here is to continue to hammer away.

Mr. CUMMINGS. You know I know. You don't have to tell me.

Mr. MICA. I may not be the smartest, I may not be the best placed, I may not be the most powerful, but I am a persistent bastard.

Mr. CUMMINGS. Thank you on that note.

Mr. MICA. In conclusion, I thank our witnesses. We will come back and visit this if necessary. We do want to accomplish some positive steps. We do want to protect the welfare of the employees and the commitment we have made to them. There are many thousands of people who work for Amtrak.

I have often told Mr. Bateman this story too. Some years ago, about 10 or 15 years ago, Amtrak had 29,000 employees. Now I think they have 19,000. To me that is not a future. I think we can dramatically increase the employment and people can earn good wages in good positions.

We have to be creative. We have to look again at how we expand the system, get support and bring America into the 21st Century of transportation. There is no reason why we cannot do that with people working in the same direction and a positive direction.

I did not institute the Inspector General's report but I am glad we reviewed it. He has some recommendations and I look forward to seeing a written plan, action and steps taken to deal with this fairly and try to get the subsidy down as low as possible as we have seen in some examples.

We will leave the record open for a period of ten days and without objection, so ordered, for additional statements.

Mr. CONNOLLY. Mr. Chairman, speaking of that, could I ask that Mr. Hall and/or the Inspector General get back to us for the record with an answer to my question and a schedule of the federal subsidies or the federal underwriting of Amtrak over the last say five or six years just to see the trend and actual numbers.

Mr. MICA. I think you will find it is about 15 down to about 13 but let me say this since you brought that up. Wasn't the House mark about a cutting you in half, about \$750 million?

Mr. CONNOLLY. Yes.

Mr. MICA. If you think I am tough, if you have to institute a 50 percent reduction, it is going to make this food service look like kiddie play for you with changes in food service. Again, these are very difficult times. We have furloughed people, we have had a horrible government shutdown and all kinds of things to contend with. We are facing serious financial crises.

We have to deal with it, have to be prepared. We need to be expanding passenger rail in this country, not contracting this service and doing a better a job. That is all we are going to say today.

Mr. CONNOLLY. I assume the Chairman would agree to my request?

Mr. MICA. Yes, no problem.

Mr. CONNOLLY. Thank you, Mr. Chairman.

Mr. MICA. Consider it done.

Mr. HALL. We will get that to you.

Mr. MICA. We may have some additional questions we would like answers to. I think some were mentioned during the hearing. The staff will get back in writing.

There being no further business before the House Committee on Oversight and Government Reform, Subcommittee on Government Operations, this hearing is adjourned.

Thank you.

[Whereupon, at 11:23 a.m., the subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD



The Inspector General



FEBRUARY 6, 2014

Ms. SARAH VANCE
ASSISTANT CLERK
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

DEAR SARAH,

ATTACHED ARE THE ANSWERS TO THE QUESTIONS FOR THE RECORD PERTAINING TO THE
TESTIMONY BEFORE THE SUBCOMMITTEE ON GOVERNMENT OPERATIONS ON NOVEMBER 14,
2103 ON AMTRAK'S FOOD AND BEVERAGE SERVICE.

IF YOU HAVE FURTHER QUESTIONS, PLEASE CONTACT DAVID R. WARREN AT 202-908-4600.

SINCERELY,

THOMAS HOWARD
INSPECTOR GENERAL
AMTRAK

ENCLOSURE

Question 1: Please provide a list of all federal subsidies to Amtrak since 2006.

Based on information provided by the Office of Government Affairs and Corporate Communications, Amtrak has received about \$12.5 billion in federal funding since 2006 as seen in the table below.

Amtrak Federal Funding FY 2006-2013 (millions)

Fiscal year	Operating	Capital and debt service	American Recovery and Reinvestment Act (ARRA)	Efficiency grants	Total
2006	\$490.1	\$772.2	0	\$36.3	\$1,298.6
2007	490.1	772.2	0	31.3	1,293.6
2008	475.0	850.0	0	0	1,325.0
2009	550.0	940.0	\$56.7	0	1,546.7
2010	563.0	1002.0	686.2	0	2,251.2
2011	562.0	922.0	586.2	0	2,070.2
2012	466.0	942.5	0	0	1,408.5
2013	441.6	902.2	0	0	1,343.8
Total	\$4,037.8	\$7,103.1	\$1,329.1	\$67.6	\$12,537.6

Source: OIG analysis of Amtrak data.

Question 2: Please provide a list of how federal subsidies were applied and used in Amtrak's budget since 2006.

Amtrak reported that federal funding was used as follows:

- **Operating:** about \$3.3 billion was used for train operations and the excess operating amount of about \$700,000 was used for capital investment
- **Capital and debt service:** about \$4.9 billion was used for capital investment and \$2.2 billion for debt service
- **ARRA:** about \$850 million was used for capital projects for the repair, rehabilitation or upgrade of railroad assets or infrastructure and about \$450 million was used for capital security projects, including life safety improvements.
- **Efficiency grants:** about \$25.2 million for new Centralized Electronic Train Control (CETC) in Philadelphia and about \$39.6 million for other initiatives such as lease buyouts, E-ticketing, quick trax machines, and WiFi on the northeast corridor. We could not reconcile the total amount of efficiency grant funding

received to data provided by the Finance Department on how these funds were used. The difference was \$2.8 million or .002 percent of all Federal funding received between fiscal years 2006 and 2013.

Questions for Mr. Thomas J. Hall
Chief of Customer Services
National Railroad Passenger Corporation (AMTRAK)

Questions from Chairman John Mica
Subcommittee on Government Operations
Committee on Oversight and Government Reform

Hearing on:
“Reviewing Alternatives to Amtrak’s Annual Losses in Food and Beverage Service”

Question 1: Under the current labor contracts, what compensation is provided to employees if jobs are eliminated? What is the agreement regarding years of pay? What is the agreement regarding benefits and pension?

Answer to Question 1:

1. ***Job Elimination:***

•Except as noted below in C-2, job elimination (furlough) does not require Amtrak to provide compensation to effected employees. Health benefits are maintained for three (3) months following the month of the qualifying event and then employees may purchase continuing coverage in accordance with COBRA. *Amtrak does not provide agreement-covered employees with any pension benefits to supplement Railroad Retirement.*

•Job elimination & contracting out – with the exception of food and beverage, the contracting out of work is prohibited if it would result in employee furlough. The Amtrak Reform and Accountability Act of 1997 removed this condition from the Rail Passenger Service Act and required this language become part of all applicable collective bargaining agreements.

2. ***C-2 Provisions (Agreement regarding years of pay):***

•Compensation as a result of job loss is only due when C-2 provisions are triggered: route discontinuance as defined in the Rail Passenger Service Act and some transfers of work to other locations (in the ShopCraft agreements). Discontinuance of intercity rail passenger service is met when service on a route falls to less than three (3) times per week. Should this occur, and there is job loss or earnings loss as a result, then Amtrak must provide the following:

i. Up to five (5) years of protection (based on years of service, see below); 100% displacement allowance and 100% dismissal (furlough) allowance. Final note regarding C-2 income protection: for state supported services, if Amtrak discontinues the route, the full amount in the table listed above is due the employee, if the state discontinues the route, only 1/3 of the income protection is due the employee;;

ii. Health benefits (medical and dental) continue for the length of the employee’s coverage of compensation;

iii. or a Separation payment – a dismissed employee could resign and opt for a lump-sum payment involving a sliding scale based on years of service to a max of twelve (12) months at thirty (30) days per month (employee must have two (2) years of service);

iv. Relocation benefits – a dismissed employee required to change his point of employment and move his residence is entitled to moving, travel and other related expenses.

3. *Years of Service Benefit*

0 to 2	0 months
2+ to 3	6 months
3+ to 5	12 months
5+ to 10	18 months
10+ to 15	24 months
15+ to 20	36 months
20+ to 25	48 months
25+	60 months

*Employees have the responsibility to find and/or accept work that would reduce the payments to their income loss and benefits.

We are unsure of the cost to eliminate a job because we have not done such an analysis.

Question 2: What is the cost to Amtrak for eliminating jobs? Please provide information on the cost of eliminating a single job per position. Please provide information on the cost of eliminating jobs under possible job elimination plans in the process of implementing the five year plan to eliminate losses.

Answer to Question 2:

We are unsure of the cost to eliminate a job because we have not done such an analysis. At this time we have no estimates on how much it will cost to eliminate jobs, nor does our plan focus on job elimination. Our focus has been related to cost reduction strategies.

Question 3: How will labor optimization plans, as a bullet point in the five year plan, affect employees? Will positions need to be eliminated or consolidated? If positions are eliminated or consolidated, how will that impact employees?

Answer to Question 3:

The current optimization plan will reduce employee report times before, after, and in some instances during their trips. In the majority of cases; this plan will reduce expenses, but will not eliminate or consolidate positions. In the event that positions were adversely impacted, then the

employee would have the right to exercise seniority in accordance with their current labor agreement.

Questions for Mr. Thomas J. Hall
Chief of Customer Services
National Railroad Passenger Corporation (AMTRAK)

Questions from Chairman Elijah Cummings
Committee on Oversight and Government Reform

Hearing on:
“Reviewing Alternatives to Amtrak’s Annual Losses in Food and Beverage Service”

Question 1: Please provide a timetable to execute, implement, and complete the Inspector General’s recommendations.

Answer to Question 1:

A specific timeline to execute, implement and complete the Inspector General’s recommendations is currently being developed. These recommendations are wide-ranging and require collaboration from multiple disciplines. The majority of the recommendations will be incorporated into the Amtrak plan to eliminate food and beverage losses in five years.

Question 2: Please provide a timetable to execute, implement, and complete the additional improvements Amtrak has identified to eliminate losses in five years.

Answer to Question 2:

A team of senior leaders from multiple disciplines within Amtrak is working on specific initiatives included in our plan to eliminate losses in five years. Each leader is tasked with developing specific targets and timelines and are planned to be available by the end of the second quarter of FY2014.

Questions for Mr. Thomas J. Hall
Chief of Customer Services
National Railroad Passenger Corporation (AMTRAK)

Questions from Chairman Gerald Connolly
Subcommittee on Government Operations
Committee on Oversight and Government Reform

Hearing on:
“Reviewing Alternatives to Amtrak’s Annual Losses in Food and Beverage Service”

Question 1: Please provide a list of all federal subsidies to Amtrak since 2006.

Answer to Question 1:
Please see **Attachment 1**

Question 2: Please provide a list of how federal subsidies were applied to and used in Amtrak’s budget since 2006.

Answer to Question 2:
During the period of 2006 through 2013, Amtrak received 13.1 billion in Federal Appropriations, 4 billion of which was used for operations. Of that 4 billion, 3.3 billion was used to fund the operations of our trains. The excess operating amount of approximately \$700,000.00 was used previously for capital investment. During the same period, Amtrak generated 20.1 billion in revenues.

ATTACHMENT 1

Can be reached on 287 April.
 MW London Veterinary Institute
 111 Mid Court, Doghouse Lane, Weymouth, Dorset

Can be reached on 287 April.
 MW London Veterinary Institute
 111 Mid Court, Doghouse Lane, Weymouth, Dorset

(1) \$9.1 MILLION WAS AUTHORIZED BUT NEVER APPROPRIATED. AUTHORITY RESCINDED IN FY 1974.

(2) INCLUDES \$350 MILLION FOR 1976, \$105 MILLION FOR THE TRANSITION QUARTER OF 1976, AND \$10 MILLION FOR NECIP OPERATIONS.

(3) INCLUDES \$109.7 MILLION APPROPRIATION PLUS \$1.3 MILLION FOR A RAIL PASSENGER TERMINAL AND FACILITIES AT SYRACUSE FOR 1975, PLUS \$25 MILLION FOR THE TRANSITION QUARTER 1976.

Amtrak Funding History - revised (2).xls DATA

(4) SECTION 214 OF THE 49TH ACT OF 1973 PROVIDED FUNDING OF \$7,225,484.86 FOR EMERGENCY NEC MAINTENANCE PURSUANT TO SECTION 704(d) OF THE 49TH ACT OF 1978.
(5) INCLUDES \$62.5 MILLION NEC OPERATING GRANT.
(6) GRANT TO RETIRE LOAN GUARANTEE.
(7) INCLUDES \$95 MILLION FOR GRADE CROSSINGS.
(7A) INCLUDES \$21 MILLION FOR GRADE CROSSINGS.

- (8) CAPITAL INCLUDES \$20 MILLION FOR LABOR PROTECTION, OF WHICH \$10 MILLION WAS REPROGRAMMED FOR PVI OPERATIONS.
 (9) \$1 MILLION TRANSFERRED FROM SECTION 500 OF THE 461 ACT OF 1976.
 (10) BLOCK GRANT.
 (11) AMTRAK PURCHASED THE NORTHEAST CORRIDOR FOR \$86 MILLION.
 (12) FY 1997 FUNDING INCLUDES \$7,209,382 FROM CONRAIL SECTION 702 LABOR PROTECTION.
 (13) SUPPLEMENTAL TRANSFERRED \$5 MILLION FROM REDEEMABLE PREFERENCE SHARES FOR MONTREAL SERVICE.
 (14) CAPITAL INCLUDES \$100 MILLION FOR THE NEW YORK CITY RAILROAD.
 (15) CAPITAL INCLUDES \$850,000 TRANSFERRED FROM FHWA FOR SEPTA BRIDGES.
 (16) \$4 MILLION TRANSFERRED FROM AMTRAK UNOBLIGATED BALANCE FOR WASHINGTON UNION STATION PURCHASE.
 (17) AMTRAKS APPROPRIATION (P.L. 101-164, 11/21/89) TOTALLED \$830 MILLION FOR OPERATING/LABOR PROTECTION AND \$86 MILLION FOR CAPITAL. UNDER THE BUDGET RECONCILIATION ACT OF 1990, AMTRAKS FUNDING WAS REDUCED BY \$7,680,000 FOR OPERATING/LABOR PROTECTION TO \$822,311,000 AND \$1,442,000 FOR CAPITAL TO \$85,574,000.
 (18) AMTRAK NECP APPROPRIATION TOTALLED \$24.8 MILLION WITH BUDGET RECONCILIATION ACT AND DRUG FUND OFFSET FUNDING REDUCED BY \$338,000 TO \$24,442,000.
 (19) AMTRAKS APPROPRIATION (P.L. 101-516, 11/08/90) TOTALLED \$443.03 MILLION FOR OPERATING/LABOR PROTECTION, \$160 MILLION FOR CAPITAL AND \$19 MILLION FOR RURT. UNDER THE FY 1991 SEQUESTERATION (S9891 MEMO FOR ROA-40), AMTRAKS FUNDING WAS REDUCED BY \$4.47 FOR OPERATING/LABOR PROTECTION TO \$438,575,553, \$1,672 FOR CAPITAL TO \$151,886,128, \$1,729 FOR RURT TO \$132,986,271 AND \$221 FOR RURT TO \$9,599,779.
 (20) \$11 MILLION TRANSFERRED FROM NEW YORK STATE UNDER THE INTERSTATE TRANSFER GRANTS-TRANSIT ACCOUNT AND MADE AVAILABLE TO AMTRAK FOR THE WESTSIDE CONNECTOR RAIL LINE PROJECT IN NEW YORK CITY.
 (21) AMTRAK NECP APPROPRIATION TOTALLED \$173 MILLION. WITH FY 1991 SEQUESTERATION, FUNDING REDUCED BY \$2,327 TO \$170,673.
 (22) AMTRAK NECP APPROPRIATION TOTALLED \$173 MILLION. WITH FY 1991 SEQUESTERATION, FUNDING REDUCED BY \$2,327 TO \$170,673.
 (23) INCLUDES \$7 MILLION FOR 30TH STREET STATION DEMONSTRATION PROJECT AND \$200,000 FOR NOISE PROBLEMS BETWEEN REDEVILLE AND FOREST HILLS, MA.
 (24) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (25) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (26) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (27) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (28) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (29) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (30) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (31) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (32) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (33) TRANSITION GRANT.
 (34) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (35) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (36) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (37) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (38) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (39) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (40) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (41) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (42) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (43) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (44) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (45) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (46) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (47) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (48) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (49) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.
 (50) INCLUDES \$200,000 FOR ILLINOIS DOT HIGH SPEED RAIL STUDY FROM CHICAGO TO ST. LOUIS.

AMTRAK GRANT REDUCED TO \$1,209,288,000; OPERATING GRANT TO \$711,264,000; CAPITAL GRANT TO \$492,032,000; WITH \$4,000,000 (REDUCED TO \$3,598,000) WITHHELD FROM CAPITAL GRANT FOR AMTRAK ASSET VALUATION STUDY.

(50) SECTION 840 OF DIVISION 8 OF THE FY 2005 CONSOLIDATED APPROPRIATIONS ACT IMPOSES A 0.8 PERCENT RESCSSION ON ALL APPROPRIATIONS. FRA WITHHELD FROM CAPITAL GRANT \$4,000,000 (REDUCED TO \$3,598,000) FOR AMTRAK ASSET VALUATION STUDY AND METHODOLOGY FOR DETERMINING AVOIDABLE AND FULLY ALLOCATED COSTS. FRA WITHHELD FROM CAPITAL GRANT \$4,000,000 (REDUCED TO \$3,598,000) FOR AMTRAK ASSET VALUATION STUDY AND METHODOLOGY FOR DETERMINING AVOIDABLE AND FULLY ALLOCATED COSTS.

(51) AMTRAK GRANT REDUCED TO \$1,961,860,000; OPERATING GRANT TO \$468,100,000; CAPITAL GRANT TO \$772,200,000; AND \$45,000,000 REDUCED TO \$44,500,000. PLEASE SEE NOTE 52.

(52) \$5 MILLION SHALL BE EXPENDED FOR THE DEVELOPMENT AND IMPLEMENTATION OF A MANAGERIAL COST ACCOUNTING SYSTEM \$40 MILLION IS AVAILABLE FOR EFFICIENCY INCENTIVE GRANTS TO AMTRAK. THESE AMOUNTS WERE REDUCED BY THE RESCSSION (NOTE 51) TO \$4,960,000 AND \$39,600,000 RESPECTIVELY. THE \$39,600,000 WAS ALSO REDUCED BY \$8,217,000 DUE TO THE RESCSSION OF THE \$48 MILLION IN CAPITAL GRANT.

(53) TOTALS EXCLUDE THE \$189 MILLION IN CAPITAL FOR 1998 THAT WAS SUBJECT TO THE SITUATION DESCRIBED IN NOTE 37.

(54) \$772.2 MILLION IS PROVIDED FOR CAPITAL GRANTS AND DEBT GRANTS.

(55) \$850.5 MILLION IS PROVIDED FOR CAPITAL GRANTS AND DEBT SERVICE. OF THIS \$850 MILLION:

(a) NOT MORE THAN \$285 MILLION MAY BE USED FOR DEBT SERVICE;

(b) \$5 MILLION OF CAPITAL GRANTS FOR AMTRAK HAS ACHIEVED OPERATIONAL SAVINGS AND MET RIDERSHIP AND REVENUE TARGETS; and

(c) \$5 MILLION SHALL BE EXPENDED FOR THE MANAGERIAL COST ACCOUNTING SYSTEM.

(56) TO FUND LIQUIDATION OF PRIOR YEARS' LOAN GUARANTEES INCLUDING \$560 MILLION IN PRINCIPAL AND \$288.6 MILLION IN UNPAID ACCRUED INTEREST.